Advanced Education and Technology

Public Post-Secondary Institutions Audited Financial Statements

Universities and Banff Centre for Continuing Education for the year ended March 31, 2008

Alberta

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Public Post-Secondary Institutions
Audited Financial Statements

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ATHABASCA UNIVERSITY
Financial Statements

For the year ended March 31, 2008

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Athabasca University Governing Council

I have audited the statement of financial position of Athabasca University as at March 31, 2008 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I draw attention to Note 19 to the financial statements that describes the unfunded liability of the Universities Academic Pension Plan which may affect the University's future financial statements. Our opinion is not qualified in respect of this matter.

Fred Dunn FCA
Auditor General

Edmonton, Alberta
May 9, 2008

ATHABASCA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2008
(thousands of dollars)

	2008	2007
ASSETS		
Current assets		
Cash and short-term investments (Note 3)	$ 23,334	$ 20,213
Accounts receivable (Notes 18)	5,439	4,558
Inventory of course materials	3,805	3,340
Prepaid expenses	1,184	834
	33,762	28,945
Non-current investments (Notes 3 and 4)	51,340	29,468
Deferred course development costs (Note 5)	141	211
Capital assets (Note 6)	21,842	20,062
	$ 107,085	$ 78,686
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accruals	$ 4,736	$ 3,099
Salaries and benefits payable (Note 7)	7,168	6,091
Deferred revenue	11,791	11,829
Deferred contributions (Note 8)	4,545	2,943
Current portion of deferred lease inducement (Note 9)	117	117
	28,357	24,079
Deferred salaries and benefits payable (Notes 7 and 19)	3,689	3,338
Deferred lease inducement (Note 9)	146	263
Deferred capital contributions (Note 10)	29,771	-
Unamortized deferred capital contributions (Note 11)	10,206	11,441
Unamortized course development contributions (Note 11)	141	211
	72,310	39,332
Net assets		
Investment in capital assets (Note 6)	11,636	8,621
Endowments (Note 12)	1,595	1,560
Internally restricted (Note 13)	19,529	27,009
Unrestricted	2,015	2,164
	34,775	39,354
	$ 107,085	$ 78,686

Approved on behalf of the Governing Council

Joy Romero, P.Eng., MBA PM
Chair

Dr. Frits Pannekoek
President

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2008

(thousands of dollars)

	2008	2007
Revenue		
Province of Alberta grants (Note 18)	$ 34,211	$ 31,064
Undergraduate student fees	36,844	33,485
Graduate student fees	13,153	12,282
Sales of goods and services	12,908	12,635
Amortization of unamortized deferred capital contributions (Note 11)	1,876	1,892
Research and other grants	909	780
Investment income (Note 14)	661	2,351
Donations (Note 15)	673	684
Other	88	118
Amortization of deferred course development contributions (Note 11)	70	71
	101,393	95,362
Expenses		
Salaries and benefits	68,367	59,828
Fees and purchased services	14,427	13,100
Materials and supplies	9,312	8,421
Communications and travel	7,346	6,541
Amortization of capital assets	3,601	3,780
Facilities rental	1,605	1,079
Insurance, utilities and taxes	730	677
Scholarships	494	419
Loss on disposal of capital assets	76	-
Amortization of deferred course development costs (Note 5)	70	71
	106,028	93,916
Excess (deficiency) of revenue over expenses	$ (4,635)	$ 1,446

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

(thousands of dollars)

	2008					2007
	Investment in Capital Assets	Endowments (Note 12)	Internally Restricted (Note 13)	Unrestricted	Total	Total
Balance, beginning of year	$ 8,621	$ 1,560	$ 27,009	$ 2,164	$ 39,354	$ 37,618
Excess (deficiency) of revenue over expenses	-	-	-	(4,635)	(4,635)	1,446
Investment in capital assets, internally funded	4,825	-	(3,229)	(1,596)	-	-
Proceeds from sale of capital assets	(9)	-	-	9	-	-
Amortization of internally funded capital assets	(1,725)	-	-	1,725	-	-
Loss on disposal of capital assets	(76)	-	-	76	-	-
Expenditure of internally restricted net assets	-	-	(1,912)	1,912	-	
Endowment contributions and net transfers	-	35	(47)	68	56	290
Transfer from internally restricted net assets	-	-	(2,292)	2,292	-	-
Balance, end of year	$ 11,636	$ 1,595	$ 19,529	$ 2,015	$ 34,775	$ 39,354

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

	2008	2007
Cash provided from operating activities:		
Excess (deficiency) of revenue over expenses	$ (4,635)	$ 1,446
Items not affecting cash flow:		
Amortization of capital assets	3,601	3,780
Transfer to deferred capital contributions (Note 10)	129	50
Amortization of deferred course development costs	70	71
Loss on disposal of capital assets	76	-
Increase in deferred salaries and benefits payable	351	634
Amortization of deferred course development contributions	(70)	(71)
Amortization of deferred lease inducement	(117)	(97)
Amortization of deferred capital contributions	(1,876)	(1,892)
	(2,471)	3,921
Change in non-cash working capital		
Change in current assets, except cash and short-term investments	(1,696)	(500)
Change in current liabilities, except current portion of deferred lease inducement	4,278	3,675
	2,582	3,175
	111	7,096
Cash used in investing activities:		
Capital asset acquisitions, internally funded	(4,825)	(2,257)
Capital asset acquisitions, externally funded	(641)	(50)
Proceeds on disposal of capital assets	9	30
Decrease (increase) in non-current investments	(21,872)	(1,375)
	(27,329)	(3,652)
Cash provided from financing activities:		
Capital contributions	30,000	-
Transfer interest to capital contributions	283	-
Endowment contributions and net transfers	56	290
Capital lease payments	-	(52)
	30,339	238
Increase in cash and short-term investments	3,121	3,682
Cash and short-term investments, beginning of year	20,213	16,531
Cash and short-term investments, end of year	$ 23,334	$ 20,213

The accompanying notes are part of these financial statements.

ATHABASCA UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2008

(thousands of dollars)

Note 1 Authority and Purpose

Athabasca University (the "University") operates under authority of the *Post-Secondary Learning Act, Statutes of Alberta* 2003, chapter P-19.5. It is directed by an appointed Governing Council and offers undergraduate and graduate degree programs through distance education. The University is a registered charity and is exempt from the payment of income taxes.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General – GAAP and Use of Estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates, the potential errors in which are, in the administration's opinion, within reasonable limits of materiality, have been made using professional judgment and conform to the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Government grants are recognized as revenue in the period received or receivable, unless a portion of a grant relates to a future period, in which case that portion is deferred and recognized in the appropriate future period.

Revenue received for the provision of goods and services is recognized in the period in which the goods are provided or the services rendered. Deferred revenue includes course fees received in advance.

Investment income includes interest income and realized and unrealized investment gains and losses. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations, or deferred, or reported as direct increases to net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

Contributions restricted for purposes other than endowment or the acquisition of capital assets are deferred and recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the acquisition of capital assets having limited life are initially recorded as deferred capital contributions in the period in which they are received. Deferred capital contributions are transferred to unamortized deferred capital contributions when expended and are amortized to revenue over the useful lives of the related assets. Contributions restricted for the acquisition of non-consumable capital assets (e.g., land) are initially recorded as deferred contributions in the period in which they are received and, when expended, are recognized as direct increases in net assets.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

Revenue Recognition (continued)

Contributions restricted for the development of courses are deferred and amortized to revenue over five years.

Endowed donations, including capitalized investment earnings, are recognized as direct increases in net assets in the period in which they are received. The portion of investment earnings which, in accordance with agreements with benefactors or the authority provided by Section 76(2) (c) of the *Post-Secondary Learning Act*, is used to fund scholarships is transferred to investment income.

Donations of goods and services that otherwise would have been purchased are recorded at fair value when a fair value can be reasonably determined; otherwise, they are recorded at nominal value.

Volunteers contribute services to assist the University in carrying out its mission. Such contributed services are not recognized in these financial statements.

(c) Change in Accounting Policy

Financial Instruments

On April 1, 2007, the University adopted the provisions of CICA Handbook Section 3855, "Financial Instruments, Recognition and Measurement" and Section 3861, "Financial Instruments, Disclosure and Presentation."

The new standards require the University to classify financial assets as held-for-trading, held-to-maturity, loans and receivables or available-for-sale and to classify financial liabilities as held-for-trading or as other financial liabilities.

Financial instruments classified as held-for-trading are measured at fair value with changes in fair value recognized in the statement of operations. Financial instruments classified as held-to-maturity, as loans and receivables and as other financial liabilities are measured at amortized cost with gains and losses recognized in the statement of operations when the asset or liability is derecognized. Financial instruments classified as available-for-sale are measured at fair value with changes in unrealized gains and losses recognized directly as changes in net assets until the asset is derecognized.

In accordance with the new standards, the University has classified cash and short-term investments and non-current investments as held-for-trading, accounts receivable as loans and receivables, and accounts payable and accruals and salaries and benefits payable as other financial liabilities.

Inventory of course materials, prepaid expenses, deferred course development costs, capital assets, deferred revenue, deferred contributions, current portion of deferred lease inducement, deferred salaries and benefits payable, deferred lease inducement, unamortized deferred capital contributions and unamortized course development contributions are not within the scope of the new standards and accordingly have not been classified.

The amortized cost of loans and receivables and other financial liabilities approximates their carrying value. The University's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(c) Change in Accounting Policy (continued)

Financial Instruments (continued)

The value of the University's financial instruments are recognized on their settlement date. Transaction costs related to all financial instruments are expensed as incurred.

The new standards have been applied retrospectively without restatement of prior periods. The relevant balances in the University's March 31, 2007, statement of financial position approximate their fair value at April 1, 2007, and as a result, there has been no transitional adjustment recorded in the University's financial statements.

As permitted, the University has elected to exclude from the scope of Section 3855, "Financial Instruments, Recognition and Measurement", non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

Future Change to Accounting Policy

The Canadian Institute of Chartered Accountants (CICA) has issued four new standards: CICA Handbook sections 1535: "Capital Disclosures," 3031: "Inventories," 3862: "Financial Instruments – Disclosures," and 3863: "Financial Instruments – Presentation."

Section 1535 requires the disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate an entity's objectives, policies and processes for managing capital. Sections 3862 and 3863 are intended to enhance the ability of users of financial statements to evaluate the significance of financial instruments to an entity, the related exposure to risks and the management of these risks. These future accounting policy changes will require only additional note disclosure and will not affect the statements of financial position, operations, changes in net assets or cash flows.

Section 3031 prescribes the accounting treatment for inventories and provides guidance on the determination of cost and its subsequent recognition of expense, including any write-down to net realizable value. The new requirements for the determination of cost may require the University to include certain additional costs in the measurement of its inventories. The effect of this change is uncertain at this time.

In accordance with the transitional provisions of these new standards, the University has chosen to adopt the related changes in accounting policies for the fiscal year beginning April 1, 2008.

(d) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently remeasured at fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date.

(e) Inventory of Course Materials

Inventory of course materials is valued at the lower of cost and net realizable value.

(f) Copyrights

The University obtains copyrights on all course materials produced. These copyrights are recorded at a nominal value of one dollar and are included in prepaid expenses.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Deferred Course Development Costs

Costs for the development of special purpose courses sponsored through Curriculum Redevelopment Funding are deferred and amortized over five years from the time development is completed.

(h) Capital Assets

Capital asset acquisitions are recorded at cost, except for donated assets, which are recorded at fair value. Except for works of art [1] capital assets are amortized on a straight-line basis over the estimated useful lives of the assets, as follows:

	Years
Buildings	40
Site improvements	10 - 25
Computing equipment and software	3 - 10
Vehicles, furnishings and other equipment	5 - 10
Leasehold improvements	lesser of 5 years or lease term
Library materials	10

(1) Works of art purchased by the University are recorded at cost and donated works of art are recorded at fair value. Works of art are not amortized. Works of art include sketches, limited edition prints, photographs, sculptures, rare books, and original paintings. The works of art are held by the University for public exhibition.

(i) Employee Future Benefits

The University participates with other employers in two defined benefit pension plans, the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for the University's employees during the year, based on contribution rates that are expected to provide for benefits payable under the respective pension plans. The University does not record its portion of the pension plans' deficits or surpluses.

The University's other defined benefit plans include the following: Administrative Leave, Flexible Benefits, Extended Health and Dental Care, Life and Dependent Life Insurance, Weekly Indemnity, Long-term Disability and General Illness.

For the Administrative Leave and Flexible Benefit Plans, the cost of benefits earned by employees is actuarially determined using the projected benefit method, prorated on service and management's best estimate of salary escalation. Net actuarial gains (losses) are recognized immediately.

For the Extended Health and Dental Care Plans, the costs of benefits earned by employees are the actual claims paid during the period, the insurer's cost of administration (net of interest), plus the year-over-year change in the estimate for any claims that may have occurred but have not been paid.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(i) Employee Future Benefits (continued)

For the Life and Dependent Life Insurance, Weekly Indemnity and Long Term Disability Plans, the cost of the employee future benefit, if any, is not reflected. Future premium rates are negotiated annually. Rate adjustments are determined based on a combination of the insurer's manual rate and the University's actual claims experience over the past five years. Any plan assets resulting from the surplus or deficit of the plans are attributed to the insurer.

The cost of future benefits related to the General illness Plan is not significant at year end is not significant and is therefore not included in the University's financial statements.

(j) Deferred Lease Inducement

One of the University's operating leases for premises provides for a lease inducement. This inducement has been deferred and is being recorded as a reduction of rent expense over the term of the lease.

(k) Internally Restricted Net Assets

The University has designated internally restricted net assets for future operating and capital needs. These amounts are not available for other purposes without the approval of Governing Council.

Note 3 Cash and Investments

Cash and investments are recorded at fair market value and consist of the following:

	2008	2007
Bank balances(1)	$ 6,172	$ 6,587
Money market investments (2)	22	16,589
Investment Fund	68,480	25,908
Other investments (Note 4)	-	597
Total Cash and Investments	74,674	49,681
Less amount recorded as non-current	(51,340)	(29,468)
Cash and short-term investments	$ 23,334	$ 20,213
Non-current investments consist of		
Endowments	$ 1,595	$ 1,560
Deferred salaries and benefits payable	3,689	3,338
Deferred capital contributions	29,771	-
Internally restricted net assets, non-current portion	16,285	23,973
Shares and joint venture interest	-	597
Non-current investments	$ 51,340	$ 29,468

(1) From April 1, 2007, to December 31, 2007, interest was earned on cash in bank based on the Canadian prime interest rate less 2.05%, applied against the daily closing cash balance. From January 1, 2008, to March 31, 2008, interest was earned based on the daily-tiered closing balance as follows: $0 to $49,999 - no interest, $50,000 to $749,999 - prime less 2.25% and $750,000 and over - prime less 1.95%

(2) Money market investments were purchased at a discount and were rated R-1 or better (by the Dominion Bond Rating Service). For the year ending March 31, 2008, the average effective yield was 4.70% (2007 – 4.36%). In 2007-08, the majority of the remaining money market investments were transferred to the Investment Fund, which is managed by an external fund manager on a pooled basis.

Note 3 Cash and Investments (continued)

The University's investments are subject to normal interest rate, market, foreign currency, credit and liquidity risks, which could affect future cash flows, revenues and financial position. Interest rate, market and foreign currency risks refer to the potential adverse consequences of changes in interest rates, market value and foreign currency respectively. Credit risk relates to the potential that the issuer of a financial instrument will fail to discharge an obligation and cause the University to incur a financial loss. Liquidity risk refers to the risk that an issuer will encounter difficulty in raising funds to meet its commitments. These risks are managed in a number of ways through the University's Investment Policy, the Investment Advisory Group and the University's external fund manager.

The Investment Policy for the University, approved by the Athabasca University Governing Council, provides the structure and guidelines within which the University's investment portfolio is to be effectively managed and enhanced. The University's Investment Advisory Group has the delegated authority for oversight of the University's investments.

An investment objective is to ensure that the investments are selected to match the anticipated cash flow requirements of the University. Therefore, short-, medium-, and long-term (including endowment) investment portfolios have been established. Based on cash flow projections, the University determines the amounts to be invested in each portfolio.

The Investment Policy defines minimum and maximum ranges for each type of qualifying investment within each investment portfolio.

The Investment Fund comprises

	2008					2007
	Short-term (less than 1 year)	Medium-term (1 to 5 years)	Long-term (more than 5 years)	Endowment (more than 5 years)	Total Investment Fund	Total Investment Fund
Cash and short-term	$ 33,321	$ 113	$ 468	$ 38	$ 33,940	$ 2,361
Fixed income	-	14,039	9,124	833	23,996	15,139
Equities						
Canadian	-	976	3,111	284	4,371	3,374
U.S.	-	934	2,517	229	3,680	3,100
International	-	681	1,661	151	2,493	1,934
Total equities	-	2,591	7,289	664	10,544	8,408
Total Investment Fund	$ 33,321	$ 16,743	$ 16,881	$ 1,535	$ 68,480	$ 25,908

In accordance with the Investment Policy, the entire short-term portfolio was invested in readily liquid Canadian securities or in cash.

Eighty-five% (2007 – 83%) of the medium-term portfolio was invested in fixed income securities, which is within the prescribed range of 75 to 100%, while 15% (2007 – 17%) was invested in equities, which is within the prescribed range of up to 25%.

Fifty-seven% (2007 – 52%) of the long-term and endowment portfolios were invested in fixed income securities, which is within the prescribed range of 50 to 100%, while 43% (2007 – 48%) were invested in equities, which is within the prescribed range of up to 50%.

Note 3 Cash and Investments (continued)

In accordance with the Investment Policy, Canadian equities are listed in the S&P/TSX composite index, and U.S. and International equities are limited to shares and pooled funds listed and traded on recognized stock market exchanges.

The University's external fund manager allocates the investments within the above portfolios into specific pools or funds including a Canadian Money Market Fund, a Bond Fund, a Canadian Equity Fund, a U.S. Equity Fund and an Overseas Equity Fund.

As at March 31, 2008, 70.1% of the cash and short-term investments in the Canadian Money Market Fund were issued by banks and other financial institutions, 10.0% were issued or guaranteed by the federal government or a provincial government and the remainder were issued by corporations across a variety of sectors.

The entire fixed income portfolio is invested in the Bond Fund. As instructed by the Investment Advisory Group, all bonds and debentures are rated BBB or higher, as measured by the Dominion Bond Rating Service (DBRS). A primary strategy used by the external fund manager to address risks in this fund is varying duration based on anticipation of future yields. The external fund manager also manages risks by varying the percentage of bonds and debentures issued by corporations as compared to those issued or guaranteed by the federal government or a provincial government. As of March 31, 2008, for example, 38.6% of this fund was invested in bonds, debentures and mortgages issued or guaranteed by the federal government or a provincial government, and the remainder was invested in bonds and debentures issued by corporations, primarily banks and other financial institutions. For the Bond Fund, risks related to foreign currency exchange rate fluctuations are insignificant, with over 98% of the bonds and debentures denominated in Canadian currency, and the remaining 2% denominated in U.S. currency. However, 13.5% of those denominated in Canadian currency are guaranteed by foreign governments, agencies or corporations. These are known as Maple Bonds, and they add diversification to the portfolio while protecting it from foreign currency exchange rate and interest rate fluctuations.

The external fund manager manages risks in the equity funds primarily by varying investments across sectors and judiciously selecting specific stocks within those sectors. The largest concentration of equities at March 31, 2008, was in the financial sector, comprising 31.5% of the Canadian Equity Fund, 18.1% of the U.S. Equity Fund and 24.8% of the Overseas Equity Fund. More moderate concentrations of equities include the energy, industrials, consumer staples and health care sectors.

The annualized, daily weighted average rates of return for the investment pools were as follows:

	2008
Canadian Money Market Fund	4.70%
Bond Fund	4.60%
Canadian Equity Fund	-2.20%
United States Equity Fund	-15.80%
Overseas Equity Fund	-14.30%

Note 4 Interest in Joint Venture

The University had a one-third joint venture interest in the Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities formed this joint venture to develop and deliver a collaborative graduate degree.

On January 1, 2008, the terms of this relationship were substantively modified, and a new decentralized administrative and operational structure was established. The joint venture was terminated, and the equity was distributed on January 1, 2008. The University's interest in the joint venture is included in Cash and Investments (Note 3).

	2008	2007
Current assets	$ -	$ 647
Capital assets	-	1
	$ -	$ 648
Current liabilities	$ -	$ 50
Investment in capital assets	-	1
	-	51
Joint venture interest		
Opening balance	597	316
Net distribution	(708)	(101)
Excess of revenues over expenses	111	382
	-	597
	$ -	$ 648

Note 5 Deferred Course Development Costs

	2008	2007
Balance, beginning of year	$ 211	$ 282
Amount amortized during year	(70)	(71)
Balance, end of year	$ 141	$ 211

Note 6 Capital Assets and Investment in Capital Assets

	2008			2007		
	Cost (1)	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,565	$ -	$ 1,565	$ 1,565	$ -	$ 1,565
Buildings and site improvements	27,212	15,935	11,277	26,624	15,142	11,482
Leasehold improvements	3,400	1,671	1,729	2,180	1,404	776
Furnishings, equipment and software	20,016	14,385	5,631	22,391	17,574	4,817
Library materials	5,585	4,590	995	5,367	4,565	802
Works of art	645	-	645	620	-	620
	$ 58,423	$ 36,581	21,842	$ 58,747	$ 38,685	20,062
Unamortized deferred capital contributions related to capital assets (Note 11)			(10,206)			(11,441)
Investment in capital assets			$ 11,636			$ 8,621

(1) Beginning August 1, 2006, for a term of 99 years, the University has leased certain lands (Lot 3 and 4, Block 8, Plan 0623053, to the north of and adjacent to its main campus) to the Town of Athabasca and the County of Athabasca for a nominal amount of $1 per year.

(2) Included in the cost of capital assets are projects in progress that are not yet being amortized. These include leasehold improvements $925 (2007 - $0), software $677 (2007 - $0) and buildings $512 (2007 -$0).

Note 7 Salaries and Benefits Payable

	2008	2007
Other defined benefit plans		
Administrative Leave Plan	$ 1,615	$ 1,573
Flexible Benefit Plan	1,243	1,276
Total other defined benefit plans (Note 19)	2,858	2,849
Salaries and wages	3,422	2,823
Vacation pay	2,427	1,951
Professional development funds	2,150	1,806
Total salaries and benefits payable	10,857	9,429
Current portion of salaries and benefits payable	(7,168)	(6,091)
Deferred salaries and benefits payable	$ 3,689	$ 3,338

Deferred salaries and benefits payable are the long-term accrued benefit obligations of the Administrative Leave Plan, Flexible Benefit Plan and professional development accounts.

Note 8 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2008	2007
Balance, beginning of year	$ 2,943	$ 1,550
Contributions received		
Grants	2,969	2,899
Donations (Note 15)	1,007	-
Transfer to deferred capital contributions (Note 10)	(129)	(50)
Amount recognized as revenue		
Grants	(1,905)	(1,456)
Donations (Note 15)	(340)	-
Balance, end of year	$ 4,545	$ 2,943
The balance consists of funds restricted from:		
Province of Alberta		
Access to the Future Fund	$ 2,330	$ 1,200
Enrolment Planning Envelope	439	523
Other Provincial Foundations	74	-
Community Incentive Program	50	50
Innovation and Science	45	90
Health and Wellness	20	30
Sponsored research special projects	1,587	1,050
	$ 4,545	$ 2,943

Note 9 Deferred Lease Inducement

The University received a lease inducement under an agreement for leased premises in 2006. The inducement has been deferred and is being applied as a reduction of rent expense over the term of the lease as follows:

	2008	2007
2008	$ -	$ 117
2009	117	117
2010	117	117
2011	29	29
Total unamortized deferred lease inducement	263	380
Less: current portion	(117)	(117)
Long term portion of deferred lease inducement	$ 146	$ 263

Note 10 Deferred Capital Contributions

Deferred capital contributions represent capital funding received from external sources that remain unspent at March 31. Changes in the deferred capital contributions balances are as follows:

	2008	2007
Balance, beginning of year	$ -	$ -
Grant received	30,000	-
Interest earned	283	-
Transfers from deferred contributions (Note 8)	129	50
	30,412	50
Transfers to unamortized deferred capital contributions (Note 11)	(641)	(50)
Balance, end of year	$ 29,771	$ -

Note 11 Unamortized Deferred Capital and Deferred Course Development Contributions

	2008		2007	
	Capital	Course Development	Capital	Course Development
Balance, beginning of year	$ 11,441	$ 211	$ 13,283	$ 282
Transfer from deferred capital contributions (Note 10)	641	-	50	-
	12,082	211	13,333	282
Amortized to revenue	(1,876)	(70)	(1,892)	(71)
Balance, end of year	$ 10,206	$ 141	$ 11,441	$ 211

Note 12 Endowments

Endowments consist of externally restricted donations, the principal of which is required to be maintained intact.

	2008				2007
	Endowments				
	Capital Contributions	Capitalized Earnings	Expendable Earnings	Total	Total
Balance, beginning of year	$ 1,439	$ 93	$ 28	$ 1,560	$ 1,249
Donations received (Note 15)	-	-	-	-	250
Investment earnings	-	63	-	63	62
Transfer from internally restricted net assets	-	-	47	47	21
Transfer to unrestricted net assets	-	-	(68)	(68)	(15)
Administrative fees	-	-	(7)	(7)	(7)
Balance, end of year	$ 1,439	$ 156	$ -	$ 1,595	$ 1,560

Note 13 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by Athabasca University Governing Council for specific future operating and capital needs. These amounts are not available for other purposes without the approval of the Governing Council.

	Balance, beginning of year	Expenditures	Transfers	Balance, end of year
Operating				
New program development	$ 8,700	$ (1,446)	$ -	$ 7,254
Bridging to retirement	4,100	(330)	(2,300)	1,470
Future student awards	1,754	-	(40)	1,714
Future claims reserve	412	-	48	460
	14,966	(1,776)	(2,292)	10,898
Capital				
Investment in systems development	10,000	(1,882)	-	8,118
Infrastructure	2,043	(1,530)	-	513
	12,043	(3,412)	-	8,631
Total internally restricted net assets	$ 27,009	$ (5,188)	$ (2,292)	$ 19,529

Note 14 Investment Income

	2008	2007
Investment income from		
Operating bank accounts	$ 351	$ 235
Investment fund	315	45
Marketable securties	240	1,819
Joint venture and other	101	314
Total investment income	1,007	2,413
Transfer to deferred capital contributions (Note 10)	(283)	-
Transfer to endowments (Note 12)	(63)	(62)
Total investment income recognized as revenue	$ 661	$ 2,351

Note 15 Donations

Donations were received during the year as follows:

	2008			2007
	Cash[1]	In-kind[2]	Total	Total
Amount recognized as revenue	$ 364	$ 309	$ 673	$ 684
Net transfers to deferred contributions [3] (Note 8)	667	-	667	-
Transfer to endowments (Note 12)	-	-	-	250
Total donations received	$ 1,031	$ 309	$ 1,340	$ 934

(1) Includes shares contributed with a fair value of $982, converted to cash, for a research related project. A further gift of shares from the same donor, with an approximate value of $325, is expected in 2008-09.

(2) In-kind donations of $309 (2007 - $638) consisted of professional services received during the year.

(3) Donations received subject to external restrictions: $1,007 less $340 recognized as revenue.

Note 16 Budget

The budget for the year ended March 31, 2008, as approved by Athabasca University Governing Council on March 30, 2007, is presented together with actual revenue and expenses for the year.

	Actual	Budget
Revenue		
Province of Alberta grants	$ 34,211	$ 34,484
Undergraduate student fees	36,844	38,817
Graduate student fees	13,153	14,261
Sales of goods and services	12,908	14,572
Amortization of unamortized deferred capital contributions	1,876	2,132
Research and other grants	909	888
Investment income	661	2,027
Donations	673	2,000
Other	88	144
Amortization of deferred course development contributions	70	-
	101,393	109,325
Expenses		
Salaries and benefits	68,367	76,050
Fees and purchased services	14,427	15,946
Materials and supplies	9,312	10,319
Communications and travel	7,346	6,551
Amortization of capital assets	3,601	4,783
Facilities rental	1,605	1,143
Insurance, utilities and taxes	730	715
Scholarships	494	616
Loss on disposal of capital assets	76	-
Amortization of deferred course development costs	70	-
	106,028	116,123
Deficiency of revenue over expenses	$ (4,635)	$ (6,798)

Note 17 Operating Lease Commitments

The University is committed to operating leases expiring no later than 2013 for facilities and equipment, with the following minimum annual payments:

2009	$ 1,296
2010	$ 1,302
2011	$ 1,460
2012	$ 1,441
2013	$ 770

The University is also required to pay a pro rata share of the operating expenditures of the facilities.

Note 18 Related Party Transactions

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2008	2007
Operating grant	$ 30,512	$ 26,210
Capital grant	30,000	-
Enrolment Planning Envelope	3,407	3,311
Infrastructure maintenance	142	142
Other	447	1,443
Total contributions	64,508	31,106
Change in deferred contributions and other accruals from provincial sources	(30,297)	(42)
Province of Alberta grants revenue	$ 34,211	$ 31,064

At March 31, 2008, the University had accounts receivable from the Province of Alberta of $2,171 (2007 - $1,436) and from the University of Lethbridge of $559 (2007- $9).

The University offered certain courses at other provincial post-secondary institutions. The revenue for these courses amounted to $1,393 (2007 - $1,628).

During the year, the University conducted certain other business transactions with other universities and public colleges. The revenues and expenses incurred for these business transactions have been included in the statement of operations but have not been separately quantified. These transactions were entered into on the same business terms as those with non-related parties and are recorded at fair value amounts.

Note 19 Employee Future Benefits

Pension Plans

The University participates with other employers in the Public Service Pension Plan (PSPP) and the Universities Academic Pension Plan (UAPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $4,236 (PSPP - $851; UAPP - $3,385) for the year ended March 31, 2008 (2007 - $3,553: PSPP - $727; UAPP - $2,825).

At December 31, 2007, the PSPP reported an actuarial deficiency of ($92,070) (2006 -153,024 surplus). An actuarial valuation of the PSPP was carried out as at December 31, 2005, and was then extrapolated to December 31, 2007.

At December 31, 2007, the UAPP reported an actuarial deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency of $501,300 and a post-1991 deficiency of $34,543. An actuarial valuation of the UAPP was carried out as at December 31, 2006, and was then extrapolated to December 31, 2007. The unfunded liability for service prior to January 1, 1992, is financed by additional contributions of 1.25% (2006 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded liability by December 31, 2043. The actuarial evaluation shows that the present value at December 31, 2006, of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded liability

for service after December 31, 1991, is financed by special payments of 2.64% (2006 - 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018, and continue until December 31, 2019. At March 31, 2008, the University's share of total payroll, upon which contributions are based, was 4.8%.

Changes are being contemplated for the UAPP which will substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however they could have a material effect on the University's future financial statements. Under GAAP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: Pension Plans. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: Employee Future Benefits. The estimated unfunded deficiency calculated using the CICA 3461 methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008. The University estimated its share of this deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $17 million.

Administrative Leave and Flexible Benefits Plan

The University's Administrative Leave Plan and Flexible Benefit Plan have no plan assets. The University has provided for these plans by accruing a benefit obligation of $2,858 (2007 - $2,849) in salaries and benefits payable (Note 7).

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations for the other defined benefit plans are as follows:

	2008	2007
Discount rate and rate of return		
Administrative Leave Plan	5.50%	4.75%
Flexible Benefit Plan	5.75%	5.00%
Rate of compensation increase		
First year	7.00%	7.00%
Subsequent years	7.00%	7.00%
Average remaining service period of active employees		
Administrative Leave Plan	9 years	8 years
Flexible Benefit Plan	14 years	13 years
Retirement age	62 years	60 years

During the year, the University paid benefits from these benefit plans totaling $432 (2007 - $634). Employee future benefit costs recognized in the year are $1,017 (2007 - $920).

Extended Health and Dental Care Plans

The accrued benefit obligation and plan assets for the Extended Health and Dental Care defined benefit plans are $95 (2007 - $77) and $554 (2007 - $489) respectively. The net position of the plans of $460 (2007 - $412) is recorded in accounts receivable in the University's statement of financial position. The change in the net position of $48 (2007 - $75) is recorded as a reduction to expenses in the University's statement of operations. Employer premiums paid to Alberta Blue Cross of $2,032 (2007 - $1,752) are recorded as an expense in the University's statement of operations.

Note 20 Salary and Benefits Disclosure

A Treasury Board directive under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2008				2007
	Base Salary[1]	Cash Benefits[2]	Non-cash Benefits[3]	Total	Total
Governing Council[4]					
Chair of Governing Council	$ -	$ -	$ -	$ -	$ -
Governing Council members	-	-	-	-	-
Executive Officers					
President	339	30	47	416	326
Vice-presidents					
Academic	197	13	28	238	227
Advancement	199	13	28	240	122
Finance and Administration	193	12	28	233	215
Chief Information Officer	162	9	28	199	184
Associate Vice-presidents					
Academic	132	-	27	159	166
Research	163	-	29	192	174
Increase in Administrative Leave Plan accruals[5]					
President				98	53
Vice-presidents					
Academic				51	28
Advancement				41	23
Finance and Administration				65	44
Chief Information Officer				54	45
Associate Vice-presidents					
Academic				15	31
Research				-	-

(1) Base salary is pensionable and includes pay for vacation time taken.

(2) Cash benefits include lump sum payments and any other non-pensionable direct cash remuneration.

(3) Non-cash benefits include the employer's share of all employee benefits and contribution payments made on behalf of employees for pension, health care, dental, vision, group life insurance, accidental death and dismemberment insurance, and long- and short-term disability plans. In addition, non-cash benefits include tuition paid on behalf of employees.

(4) The chair and the 16 members (2007 – 15) of Governing Council receive no remuneration for participation on the council.

(5) Administrative Leave Plan accrual amounts include the current service cost, the related net actuarial gains or losses and adjustments for past service accrued at current salary rates.

Note 21 Comparative Figures

Certain 2007 comparative figures have been reclassified to conform to the presentation adopted in the 2008 financial statements.

UNIVERSITY OF ALBERTA
Financial Statements

For the year ended March 31, 2008

Auditor's Report

Financial Statements:

- Statement of Financial Position
- Statement of Operations and Change in Unrestricted Net Assets
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Auditor's Report

To the Board of Governors of the University of Alberta

I have audited the statement of financial position of the University of Alberta as at March 31, 2008 and the statements of operations and change in unrestricted net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I draw your attention to Note 8 to the financial statements that describes the unfunded liability of the Universities Academic Pension Plan which may affect the University's future financial statements. Our opinion is not qualified in respect of this matter.

Fred J. Dunn FCA
Auditor General

Edmonton, Alberta
May 28, 2008

STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF ALBERTA

AT MARCH 31, 2008
(in thousands of dollars)

		2008		2007
ASSETS				
Current				
Cash and cash equivalents (Note 3)	$	77,343	$	245,704
Short-term investments (Note 4)		410,401		16,211
Accounts receivable		189,697		151,280
Inventories and prepaid expenses		16,960		13,917
		694,401		427,112
Investments (Note 4)		1,014,771		943,241
Capital assets and collections (Note 6)		1,718,478		1,537,838
	$	3,427,650	$	2,908,191
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities	$	161,143	$	124,399
Current portion of employee benefit liabilities (Note 7)		32,986		31,187
Current portion of long-term obligations (Note 9)		9,799		14,811
Deferred contributions, research and other (Note 10)		280,801		241,765
Deferred revenue		18,824		16,674
		503,553		428,836
Employee benefit liabilities (Note 7)		43,399		42,353
Long-term obligations (Note 9)		185,335		151,544
Deferred contributions, research and other (Note 10)		90,000		90,000
Deferred contributions, capital (Note 10)		290,074		10,501
Unamortized deferred capital contributions (Note 11)		1,121,647		982,131
		2,234,008		1,705,365
Net Assets				
Endowments (Note 12)		734,191		751,478
Investment in capital assets and collections (Note 13)		407,668		410,418
Unrestricted		51,783		40,930
		1,193,642		1,202,826
	$	3,427,650	$	2,908,191

ned on behalf of the Board of Governors

Brian Heidecker — **Chairman of the Board**

Indira Samarasekera — **President**

---------- *The accompanying notes are part of these financial statements.* ----------

STATEMENT OF OPERATIONS AND CHANGE IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

	2008	2007
REVENUE		
Provincial government (Note 17)	$ 624,247	$ 600,566
Federal and other government	153,625	123,868
Sales of services and products	196,224	181,741
Credit course tuition and related fees	188,988	181,880
Grants and donations	73,340	60,344
Investment income (loss) (Note 5)	(7,956)	57,461
	1,228,468	1,205,860
Amortization of deferred capital contributions (Note 11)	56,971	51,874
	1,285,439	1,257,734
EXPENSE		
Salaries	664,404	597,486
Employee benefits	121,268	104,202
Materials, supplies and services	272,413	238,902
Utilities	35,001	35,849
Maintenance	56,497	39,703
Interest	10,068	8,023
Scholarships and bursaries	73,217	69,678
Amortization of capital assets	102,882	98,046
	1,335,750	1,191,889
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE	(50,311)	65,845
TRANSFER (TO) FROM ENDOWMENTS (Note 12)	27,809	(7,614)
ADOPTION OF NEW FINANCIAL INSTRUMENTS ACCOUNTING STANDARD (Note 2)	7,926	-
NET CHANGE IN INVESTMENT IN CAPITAL ASSETS (Note 13)	25,429	(21,198)
Change in unrestricted net assets for the year	10,853	37,033
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	40,930	3,897
UNRESTRICTED NET ASSETS, END OF YEAR	$ 51,783	$ 40,930

---------- *The accompanying notes are part of these financial statements.* ----------

FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

	Endowments			Investment in Capital Assets and Collections	Unrestricted Net Assets
	Externally Restricted	Internally Restricted	Total		
NET ASSETS, March 31, 2006	$ 572,457	$ 67,686	$ 640,143	$ 387,641	$ 3,897
Excess of revenue over expense	-	-	-	-	65,845
Investment income (Note 5)	32,536	-	32,536	-	-
Gifts of endowment principal	71,185	-	71,185	-	-
Transfers (Note 12)	20,156	(12,542)	7,614	-	(7,614)
Net investment in capital assets (Note 13)	-	-	-	21,198	(21,198)
Contributions of assets not subject to amortization (Note 13)	-	-	-	1,579	-
NET ASSETS, March 31, 2007	$ 696,334	$ 55,144	$ 751,478	$ 410,418	$ 40,930
Adoption of new financial instruments accounting standard (Note 2)	1,008	-	1,008	-	7,926
Deficiency of revenue over expense	-	-	-	-	(50,311)
Investment loss (Note 5)	(42,954)	-	(42,954)	-	-
Gifts of endowment principal	52,468	-	52,468	-	-
Transfers (Note 12)	(27,809)	-	(27,809)	-	27,809
Net investment in capital assets (Note 13)	-	-	-	(25,429)	25,429
Contributions of assets not subject to amortization (Note 13)	-	-	-	22,679	-
NET ASSETS, March 31, 2008	$ 679,047	$ 55,144	$ 734,191	$ 407,668	$ 51,783

----------*The accompanying notes are part of these financial statements*----------

FOR THE YEAR ENDED MARCH 31, 2008
(in thousands of dollars)

	2008	2007
CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expense	$ (50,311)	$ 65,845
Add (deduct) non-cash items:		
Amortization of capital assets	102,882	98,046
Amortization of deferred capital contributions	(56,971)	(51,874)
Loss on disposal of capital assets	550	1,055
Employee benefit liabilities	2,845	(8,547)
Unrealized (gain) loss on investments	45,525	(6,449)
Total non-cash items	94,831	32,231
Net change in non-cash working capital (*)	(496,752)	50,935
	(452,232)	149,011
CASH PROVIDED FROM (USED IN) INVESTING ACTIVITIES		
Acquisition of capital assets and collections	(284,159)	(242,350)
Purchases of investments, net	(33,692)	(98,522)
Endowment investment earnings	21,650	-
Endowment investment earnings in excess of the spending allocation	-	4,727
Proceeds on disposal of capital assets	86	60
	(296,115)	(336,085)
CASH PROVIDED FROM (USED IN) FINANCING ACTIVITIES		
Endowment contributions	52,468	71,185
Capital contributions	476,060	155,928
Contributions of assets not subject to amortization	22,679	1,579
Long-term obligations - new financing	38,307	47,143
Long-term obligations - repayments	(9,528)	(8,199)
	579,986	267,636
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(168,361)	80,562
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	245,704	165,142
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 3)	$ 77,343	$ 245,704

(*) **Net change in non-cash working capital:**		
(Increase) decrease in short-term investments	$ (560,419)	$ 1,511
Increase in accounts receivable	(38,417)	(22,144)
Increase in inventories and prepaid expenses	(3,043)	(1,924)
Increase in accounts payable	36,744	10,176
Increase in deferred contributions, research and other	66,233	62,637
Increase in deferred revenue	2,150	679
	$ (496,752)	$ 50,935

----------The accompanying notes are part of these statements---------

(in thousands of dollars) MARCH 31, 2008

1. **Authority and purpose**

The University of Alberta operates under the *Post-Secondary Learning Act* of the Province of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the *Income Tax Act* of Canada, is exempt from the payment of income tax.

2. **Summary of significant accounting policies and reporting practices**

a) General - GAAP and use of estimates
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. Employee benefit liabilities, amortization of capital assets and asset-backed commercial paper investments are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Interest in joint ventures
The financial statements use the proportionate consolidation method to record the University's proportionate share of each financial statement component of these three joint ventures:

- Tri-University Meson Facility (TRIUMF) (16.7% interest) - a joint venture with five other universities to operate a sub-atomic physics research facility.
- Northern Alberta Clinical Trials and Research Centre (50% interest) - a joint venture with Capital Health to support the shared missions of Capital Health and the University for collaborative clinical research.
- TEC Edmonton (50% interest) – a joint venture with Edmonton Economic Development Corporation to stimulate entrepreneurialism, advance corporate development and accelerate commercialization of new ideas and technologies that benefit society.

These joint ventures are not material to the University's financial statements, and therefore, separate condensed financial information is not presented.

c) Cash and cash equivalents
Cash and cash equivalents are comprised of cash on deposit, money market funds, short-term notes and treasury bills, with a maximum maturity of 90 days at date of purchase.

d) Investments
Investments are carried at fair value with the exception of real estate held directly by the University which is not for operational use. The calculation of fair value is based upon market conditions at a specific point in time.

The value of investments recorded in the financial statements is determined as follows:

- Short-term investments are comprised primarily of certificates of deposit, guaranteed investment certificates, government treasury bills and commercial paper with a maturity between 90 days and one year and units in a pooled money market fund. These investments are valued based on cost plus accrued income, which approximates fair value. When a loss in value of such investments occurs that is other than temporary, the investment is written down to recognize the loss.
- Publicly traded securities are valued based on the latest bid prices.
- Investments in pooled funds are valued at their net asset value per unit.
- Real estate directly held by the University which is not for operational use is recorded at cost.
- Infrequently traded securities are based on quoted market yields or prices of comparable securities, as appropriate.

e) Inventories
Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

f) Capital assets and collections
Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair value when a fair value can be reasonably determined. Permanent collections are not amortized and include the portion of library assets with permanent value, museum specimens, archival materials, maps and works of art.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Buildings and utilities	10 - 40 years
Equipment and furnishings	3 - 25 years
Learning resources	10 years

g) Asset retirement obligations
The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value based on the present value of estimated future cash flows can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

h) Revenue recognition
The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned; this includes interest, dividends, realized and unrealized gains and losses.
- Pledges - are recognized when collected.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.

Restricted contributions – deferral method
Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with limited life are first recorded as deferred contributions, capital when received, and when expended, they are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings, under agreements with benefactors or the *Post-Secondary Learning Act* allocated to endowment principal, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and when expended, they are recognized as direct increases in investment in capital assets and collections.

i) Foreign currency translation
Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate. Revenues and expenses are translated at average weekly exchange rates. Gains or losses from these translations are included in investment income.

j) Employee future benefits

Pensions
The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension expense included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plan.

Long-term disability plans
The cost of providing non-vesting and non-accumulating employee future benefits for compensated absences under the University's long-term disability plans is charged to expense in full when the event occurs which obligates the University to provide the benefits. The cost of these benefits is actuarially determined using the accumulated benefit method, a market interest rate and administration's best estimate of the retirement ages of employees, expected health care costs and the period of employee disability. Actuarial gains or losses on the accrued benefit obligation are amortized over the average expected period the benefits will be paid.

Early retirement plans
The cost of providing accumulating post employment benefits under the University's early retirement plans is charged to expense over the period of service provided by the employee. The cost of these benefits is actuarially determined using the projected benefit method pro rated on services, a market interest rate and administration's best estimate of expected health care, dental care, life insurance costs and the period of benefit coverage. The excess of net actuarial gains or losses over 10% of the benefit obligation is amortized over the average remaining service period of active employees expected to receive benefits under the plans.

k) Contributed services
Volunteers as well as members of the staff of the University contribute an indeterminable number of hours per year to assist the institution in carrying out its mission. Such contributed services are not recognized in the financial statements.

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l) Change in accounting policies

Financial instruments

Effective April 1, 2007, the University adopted retrospectively without restatement the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments, including the accounting treatment for changes in fair value. Under Section 3855, financial assets and liabilities are classified as either held for trading, available-for-sale, loans and receivables, investments held to maturity, and other financial liabilities. Financial assets classified as held for trading and available-for-sale are measured on the balance sheet at fair value. Subsequent changes in the fair value of held for trading financial assets is recognized into net income immediately. Changes in the fair value of financial assets available-for-sale are recorded in net assets until the investment is derecognized or impaired at which time amounts would be recorded to net income. Loans and receivables, investments held to maturity and other financial liabilities are measured on the balance sheet at amortized cost. All derivative instruments of the University are recorded at fair value and classified as held for trading. CICA 3861 establishes standards for presentation of financial instruments and non-financial derivatives.

In accordance with the new standard, the University's financial assets and liabilities are generally classified and measured as follows:

Financial statement category	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Long-term obligations	Other financial liabilities	Amortized cost

For financial assets and liabilities classified as other than held for trading, the transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability are recorded as part of the fair value initially recognized for that financial instrument. These costs are expensed using the effective interest method and recorded within interest expense.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. Forward contracts are marked to market at the end of each reporting period with any changes in the market value recorded in the statement of operations when the changes occur. As permitted for Not-for-Profit Organizations, the University has elected to not apply the standards on derivatives embedded in non-financial contracts.

On adoption of the new standard, the University recorded an adjustment to net assets to revalue certain investments previously recorded at cost which under the new standard are measured at fair value. The impact of the adjustment was to increase investments by $8,934, unrestricted net assets by $7,926, and externally restricted endowments by $1,008.

Accounting changes

Effective April 1, 2007, the University adopted CICA 1506: *Accounting Changes*. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy be applied retrospectively unless impracticable, requires prior period errors be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure of a description and the impact on the University's operating results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the University's financial position or on the results of its operations.

m) Future accounting policy changes

In October 2006, the CICA issued new accounting standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These standards will effectively replace the existing CICA 3861: *Financial Instruments – Disclosure and Presentation*.

Also in October 2006, the CICA has issued new accounting standard, CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information related to external restrictions that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These new standards will be adopted by the University effective April 1, 2008. The University anticipates the impact of adoption will only require additional disclosures in the financial statements.

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3. Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

	2008	2007
Cash	$ 23,306	$ 4,659
Money market funds, short-term notes and treasury bills	54,037	241,045
	$ 77,343	$ 245,704

4. Investments

The composition and fair value of investments are as follows:

	2008			2007		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Cash, money market funds, short-term notes and treasury bills	$ 410,401	$ 168,161	$ 578,562	$ 16,211	$ 38,984	$ 55,195
Canadian government and corporate bonds	-	268,604	268,604	-	278,923	278,923
Canadian equity	-	181,140	181,140	-	137,137	137,137
Foreign equity	-	371,066	371,066	-	463,236	463,236
Pooled hedge funds	-	24,719	24,719	-	23,877	23,877
Annuities	-	95	95	-	98	98
Real estate	-	986	986	-	986	986
	$ 410,401	$ 1,014,771	$ 1,425,172	$ 16,211	$ 943,241	$ 959,452

As at March 31, 2008, the average effective yields and the terms to maturity are as follows:

- Money market funds, short-term notes and treasury bills: 4.31% (2007 – 4.43%); term to maturity: less than one year.
- Government and corporate bond funds: 3.99% (2007 – 4.15 %) terms to maturity: range from less than one year to more than 10 years.

The University's investments are managed using two pools, the Non-Endowed Investment Pool ("NEIP") with investment holdings of $627,677 (2007 - $114,371) and the Unitized Endowment Pool ("UEP") with investment holdings of $797,495 (2007 - $845,081). The primary objective of the University's investment policy for the NEIP is to earn a rate of return that exceeds the DEX 91 day T-Bill return with an emphasis on liquidity and the preservation of capital. The primary objective for the UEP is to earn a long-term rate of return that, in real terms, exceeds the endowment spending allocation of 4.65% (the amount made available for spending) at an acceptable level of risk. The UEP also includes non endowed assets that will not be required for spending in the next five years. The University has policies and procedures in place governing asset mix, diversification, exposure limits, credit quality and performance measurement. The University manages its investments through the Board of Governors' Investment Committee. The Investment Committee meets regularly to monitor investments, to review investment manager performance, to ensure compliance with the University's investment policies and to evaluate the continued appropriateness of the University's investment policies.

Asset-backed commercial paper

At March 31, 2008 the University holds third-party and bank-sponsored asset-backed commercial paper ("ABCP") with an original cost of $169,729. The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 when many of these investments did not settle on maturity. A group of market participants, including major investors, banks, asset providers, dealers, and third-party sponsors, agreed to work collectively to restructure this market segment. $158,966 of the University's ABCP was subject to a restructuring agreement (see below) while the remaining $10,763 is being restructured directly with the sponsors of the affected ABCP.

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Based on the valuation analysis, a write-down in investments of $41,000 has been recorded as a reduction to investment income. The University has also accrued $625 for its estimated share of restructuring costs. The University has reclassified the estimated fair value of $128,729 to long-term investments in the category of cash, money market funds, short-term notes and treasury bills, after initially classifying them as cash and cash equivalents and short-term investments.

	Original cost	Estimated fair value	Write-down	Write-down per cent
Traditional assets	$ 18,273	$ 18,192	$ 81	0.44%
Synthetic assets	120,500	94,976	25,524	21.18%
Ineligible assets	20,193	5,914	14,279	70.71%
Sub-total	158,966	119,082	39,884	25.09%
Other ABCP	10,763	9,647	1,116	10.37%
Total	$ 169,729	$ 128,729	$ 41,000	24.16%

At the dates the University acquired these investments they were rated R1 (High) by Dominion Bond Rating Service, the highest credit rating issued for commercial paper, as required by the University's investment policy.

Impact on operations
The liquidity crisis in the Canadian market for ABCP has had no significant impact on the University's liquidity or cash needs. The University holds or has access to sufficient available cash and highly liquid investments to meet all of its obligations. The University's Unitized Endowment Pool (UEP) investments had no exposure to ABCP investments.

Restructuring agreement
The restructuring agreement, which came to be known as the Montreal Accord (the "Accord"), provided for a standstill period during which participating investors would not demand repayment of their ABCP investments as they matured and the commercial paper issuers would not make liquidity calls to their liquidity providers who, in turn, would not demand additional collateral from the issuers. Participants in the Accord also agreed in principle to the conversion of the ABCP notes into longer-term floating rate notes with maturities corresponding to those of the underlying assets. The Pan-Canadian Investors Committee ("Investors Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. The University is a member of the Investors Committee, and continues to actively support the restructuring process.

On March 20, 2008, a Notice of Proceedings and Meeting was issued in respect of the plan of compromise and arrangement (the "Plan") proposed and supported by the Investors Committee pursuant to the Companies' Creditors Arrangement Act (Canada). This Plan provides for comprehensive restructuring of all the outstanding third-party debt obligations under the Accord.

Valuation
In the continued absence of an active market for third-party ABCP subject to the Accord, the University has estimated the fair value of these investments as at March 31, 2008 using a probability-weighted discounted cash flow valuation model. This model incorporates administration's best estimates of multiple factors, updated to reflect market-related and other additional information. While there is no guarantee as at March 31 that the restructuring will succeed as outlined, the likelihood of success was assumed to be highly probable in the valuation of these investments.

The valuation also involves assumptions regarding the difference between the yield the University expects to earn from the restructured floating rate notes and the appropriate market-discount rate attributable to such investments. The estimated investment yields were determined based on available information. The estimated market-discount rates for the floating rate notes were determined by reference to market rates for other investments and appropriate forward-credit indices. They were then adjusted to include an estimated premium to reflect the expected lack of liquidity in the restructured floating rate notes together with the leveraged nature of the underlying assets and were adjusted for subordination where appropriate. The shortfall between the expected yield and the estimated discount rate ranges from 218 basis points for Class A-1 notes and 518 basis points for Class C notes.

The Plan provides for different restructuring processes, depending on the type of assets securitized by the various ABCP notes. Investors' holdings of ABCP backed by traditional assets ("TA") or ineligible assets ("IA") will be restructured separately as TA tracking notes or IA tracking notes, while notes backed primarily by synthetic assets will be pooled with those of other investors into one of two entities the Investors Committee refers to as "master asset vehicles" (or "MAV1" and "MAV2"), the University will participate in MAV2. The valuation model also incorporates the following:

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- Traditional assets represent primarily trade receivables, credit card receivables, personal lines of credit, auto and equipment loans, and residential and commercial mortgage backed securities.
  The University anticipates the restructured notes will include traditional securitized assets with a potential AAA rating and an expected average term to maturity of four years.
- Synthetic assets represent collateralized debt, traditional assets.
  The University anticipates the restructured synthetic notes will be comprised of Class A-1, Class A-2, Class B and Class C; with A-1 and A-2 receiving a potential AA rating, while B and C will be unrated. These pooled synthetic notes will be divided into senior and subordinated notes, the majority of which are expected to be ranked senior with a term to maturity of nine years.
- Ineligible assets represent primarily assets with exposure to the US sub-prime real estate market.
  The University anticipates receiving various long-term floating rate notes with a term to maturity between 6 to 29 years. There has been no indication whether these notes will be rated or not.

Other ABCP not covered by the Plan include: Devonshire Trust (third-party), Sitka Trust (bank-sponsored) and Superior Trust (bank-sponsored). The underlying assets in these trusts are represented by either exclusively collateralized debt obligations or a combination of collateralized debt obligations and traditional assets. It is not determinable whether the restructured floating rate notes will be rated. The expected term to maturity will be between six and nine years. In general, these restructuring plans are similar to the Accord in that the current investments will be restructured into long-term notes to match the maturity date of the underlying assets. In the absence of an active market for these investments, the University has estimated their fair value as at March 31, 2008, using a probability-weighted discounted cash flow model similar to the approach used for the Accord holdings. Interest is expected to be paid monthly over the term with principal repayment on maturity. The shortfall between the expected yield and the estimated discount rate ranges between 134 and 243 basis points.

Measurement uncertainty

The ongoing nature of the restructuring negotiations contributes to a lack of certainty regarding the outcome of the restructuring process. This lack of certainty, in turn, contributes to significant measurement uncertainty in administration's best estimate of the fair value of the University's current ABCP investments. Since the eventual timing and amount of future cash flows attributable to these assets may vary significantly from administration's current best estimates, it is possible that the ultimate fair value of these assets may vary significantly from current estimates and that the magnitude of any such difference could be material to the financial results.

5. **Investment income (loss)**

	2008	2007
Income (loss) on investments held for endowment:		
Externally restricted	$ (42,954)	$ 64,998
Internally restricted	(3,549)	4,930
	(46,503)	69,928
Income (loss) on other investments:		
Income on other investments	36,593	23,903
Asset-backed commercial paper write-down (Note 4)	(41,000)	-
	(4,407)	23,903
Total investment income (loss)	(50,910)	93,831
Amounts deferred	-	(3,834)
Endowment income capitalized (externally restricted) (Note 12)	-	(32,536)
Loss charged to externally restricted cumulative capitalized endowment earnings (Note 12)	42,954	-
Total investment income (loss) recognized as revenue	$ (7,956)	$ 57,461

(in thousands of dollars)

6. Capital assets and collections

	2008			2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Buildings and utilities	$ 1,836,773	$ 659,281	$ 1,177,492	$ 1,671,831	$ 619,887	$ 1,051,944
Equipment and furnishings	843,859	537,456	306,403	776,655	501,091	275,564
Learning resources	240,082	143,676	96,406	223,831	126,270	97,561
Capital assets subject to amortization	2,920,714	1,340,413	1,580,301	2,672,317	1,247,248	1,425,069
Land	43,848	-	43,848	19,200	-	19,200
	2,964,562	$ 1,340,413	1,624,149	2,691,517	$ 1,247,248	1,444,269
Library permanent collections	32,684		32,684	35,500		35,500
Other permanent collections	61,645		61,645	58,069		58,069
Capital assets and collections	$ 3,058,891		$ 1,718,478	$ 2,785,086		$ 1,537,838

Included in buildings and utilities is $122,049 (2007 - $285,746) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Acquisitions during the year included in-kind contributions (such as learning resources, equipment, software and land) in the amount of $45,270 (2007 - $12,516).

The University has recorded a liability for an asset retirement obligation of $1,004 (2007 - $947). The asset retirement obligation represents the legal obligation associated with the eventual decommissioning of a research reactor.

7. Employee benefit liabilities

	2008			2007		
	Academic staff	Support staff	Total	Academic staff	Support staff	Total
Vacation pay	$ 6,600	$ 18,400	$ 25,000	$ 6,300	$ 17,300	$ 23,600
Long-term disability plans	8,003	21,344	29,347	8,382	20,504	28,886
Early retirement plans	1,193	20,845	22,038	1,801	19,253	21,054
	15,796	60,589	76,385	16,483	57,057	73,540
Less current portion	9,824	23,162	32,986	9,683	21,504	31,187
	$ 5,972	$ 37,427	$ 43,399	$ 6,800	$ 35,553	$ 42,353

8. Pension benefit plans, long-term disability and early retirement plans

a) Pension benefit plans

The University participates with other employers in the Public Service Pension Plan ("PSPP") and the Universities Academic Pension Plan ("UAPP"). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $45,095 (PSPP - $14,672; UAPP - $30,423) for the year ended March 31, 2008 (2007 - $41,139 (PSPP - $13,091: UAPP - $28,048)).

The PSPP is a contributory defined benefit pension plan for support staff members. At December 31, 2007, the PSPP reported an actuarial deficiency of $92,070 (2006 - $153,024 surplus). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2007.

The UAPP is a contributory defined benefit pension plan for academic staff members. At December 31, 2007, the UAPP reported an actuarial deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency ($501,300) and a post-1991 deficiency ($34,543). An actuarial valuation of the UAPP was carried out as at December 31, 2006 and was then extrapolated to December 31, 2007. The unfunded liability for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2006 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded liability by December 31, 2043. The actuarial valuation shows that the present value at December 31, 2006 of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded liability for service after December 31, 1991 is financed by special payments of 2.64% (2006 – 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019. At December 31, 2007, the University's active membership in the UAPP is 48.6% of the total UAPP active membership.

Changes are being contemplated for the UAPP which may substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however they could have a material effect on the University's future financial statements. Under GAAP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: *Pension Plans*. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: *Employee Future Benefits*. The estimated unfunded deficiency calculated using the CICA 3461methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008. The University estimated its share of this deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $175 million.

b) Long-term disability and early retirement plans

The University's long-term disability plans (academic and support staff) and early retirement plans (support staff) are defined benefit plans that provide post-employment benefits to its employees. These defined benefit plans, unlike the pension benefit plans, are unfunded, meaning that there is no corresponding asset set aside to pay for the plans.

The long-term disability plans provide pension and non-pension benefits after employment, but before the employee's normal retirement date.

The early retirement plans for support staff include bridge benefits and a retirement allowance. The bridge benefit plan allows eligible employees who retire early, to continue participating in several staff benefit programs between the date of early retirement and the end of the month in which the employee turns 65. Benefits include group life insurance, Alberta Health Care, Employee Family Assistance Program, supplementary health care and dental care. The support staff retirement allowance provides eligible employees one week's base pay per full year of employment to a maximum 25 days pay.

The early retirement plan for academic staff was for bridge benefits and was terminated in 2004. This plan allowed eligible employees who retired early to continue participating in several staff benefit programs between the date of early retirement and the date of normal retirement. Participants already receiving these benefits when the plan was terminated will continue to receive bridge benefits under the original terms of the plan.

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The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was as at March 31, 2008. The plans obligations are as follows:

	2008		2007	
	Long-term disability	Early retirement	Long-term disability	Early retirement
Accrued benefit obligation:				
Balance, beginning of year	$ 17,943	$ 26,505	$ 18,149	$ 24,859
Current service cost	5,855	1,341	2,512	1,197
Interest cost	997	1,238	849	1,132
Benefits paid	(4,264)	(1,875)	(3,581)	(1,779)
Actuarial (gain) loss	1,245	(2,321)	14	1,096
Balance, end of year	21,776	24,888	17,943	26,505
Plan assets [(1)]	-	-	-	-
Funded status - plan deficit	21,776	24,888	17,943	26,505
Unamortized net actuarial gain (loss)	7,571	(2,850)	10,943	(5,451)
Accrued benefit liability (Note 7)	$ 29,347	$ 22,038	$ 28,886	$ 21,054

[(1)] These defined benefits are unfunded, meaning there are no corresponding assets set aside for these plans.

The significant actuarial assumptions used to measure the plans are as follows:

	2008		2007	
	Long-term disability	Early retirement	Long-term disability	Early retirement
Discount rate	5.0%	5.0%	4.6%	4.6%
Rate of compensation increase (includes cost of living allowance and merit increments) (years 1 - 3, thereafter; year 1, years 2 - 4, thereafter)	n/a	6%, 5%	n/a	5%, 6%, 5%
Assumed benefit cost trend rates:				
Dental costs (years 1- 3, thereafter; years 1 - 4 , thereafter)	n/a	7%, 5%	n/a	7%, 5%
Supplemental health care costs (years 1- 3, thereafter; years 1 - 4 , thereafter)	n/a	10%, 7%	n/a	10%, 7%
Alberta health care costs (years 1- 3, thereafter; years 1 - 4 , thereafter)	n/a	0%, 3%	n/a	2%, 3%
Existing long-term disability claims (years 1- 3, thereafter; year 1, years 2 - 4 , thereafter)	4%, 3%	n/a	3%, 4%, 3%	n/a
Pension contributions (years 1- 3, thereafter; year 1, years 2 - 4 , thereafter)	4%, 3%	n/a	12%, 4%, 3%	n/a
Benefit costs (years 1- 3, thereafter; years 1 - 4 , thereafter)	8%, 6%	n/a	8%, 6%	n/a

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9. Long-term obligations

	Collateral	Maturity date	Interest rate %	Amount outstanding 2008	2007
Mortgages payable to Canada Mortgage and Housing Corporation:					
Lister Residences	Title to land, building	July 2014	5.125	$ 970	$ 1,112
Michener Park Phase I	Title to land, building	April 2018	5.875	2,107	2,256
MacKenzie Hall	Title to land, building	November 2018	6.250	1,141	1,208
Debenture payable to Alberta Finance:					
Housing Union Building	None	June 2008	3.285	104	513
Debentures payable to Alberta Capital Finance Authority:					
Health Research Innovation Facility	None	June 2011	5.030	1,000	-
Enterprise Square	Title to land, building	October 2011	4.162	4,897	6,000
Natural Resources Engineering Facility	Cash Flows, NREF Facility	June 2014	4.974	11,268	12,704
Energy Management Program, Year 1	None	September 2014	4.551	2,449	2,767
Energy Management Program, Year 2	None	March 2016	4.525	3,274	3,607
Natural Resources Engineering Facility	Cash Flows, NREF Facility	June 2017	5.056	7,688	8,000
Health Research Innovation Facility	None	June 2017	5.053	15,664	-
Extension Centre	None	October 2017	8.750	2,066	2,192
Energy Management Program, Year 3	None	December 2017	4.493	3,500	-
Steam Turbine Generator	Equipment, cash flows	May 2020	6.250	13,158	13,803
Newton Place	Title to land, building	August 2024	6.000	13,093	13,531
Newton Place Renovation	Title to land, building	August 2024	6.000	2,264	2,340
Lister Residence II	Title to land, building	November 2027	5.875	19,425	19,930
Windsor Car Park	Cash flows, Windsor Car Park	September 2028	6.000	6,350	6,500
Saville Centre	Cash flows, Saville Centre	December 2028	5.875	4,181	4,282
East Campus Village	Title to land, building	March 2029	4.960	8,644	8,874
Centennial Centre for Interdisciplinary Science Phase I	None	September 2029	5.353	9,211	9,486
Centennial Centre for Interdisciplinary Science Phase I	None	June 2030	4.518	2,085	2,087
Health Research Innovation Facility	None	June 2032	5.191	5,643	-
Killam Centre	None	September 2036	4.810	2,039	2,072
Enterprise Square	Title to land, building	September 2036	4.627	42,000	39,000
Jubilee Carpark	Cash flows, Parking Facilities	December 2047	4.814	9,500	-
Bank loans payable:					
East Campus Housing	None	September 2008	4.440	146	428
				193,867	162,692
Obligations under capital leases				263	916
Other long-term obligations (includes asset retirements and liabilities for site restoration)				1,004	2,747
				195,134	166,355
Less current portion				9,799	14,811
				$ 185,335	$ 151,544

The principal portion of long-term debt repayments required over the next five years is as follows:
2009 - $9,799; 2010 - $10,154; 2011 - $10,699; 2012 - $12,296; 2013 - $10,547
Interest expense on long-term obligations is $10,068 (2007 - $8,023).
All long-term obligations have fixed interest rates. The weighted average interest rate is 5.244%. (2007 – 5.264%).
The Board of Governors has approved a $16,000 debenture for the Jubilee Carpark, of which $9,500 has been drawn; the remaining $6,500 is expected to be drawn before December 31, 2008.

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10. Deferred contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2008		2007	
	Capital	Research and other	Capital	Research and other
Balance, beginning of the year	$ 10,501	$ 331,766	$ 3,348	$ 269,128
Grants and donations received	441,304	524,355	124,889	512,328
Recognized as revenue	-	(452,393)	-	(418,653)
Transferred to unamortized deferred capital contributions (Note 11)	(161,731)	(32,927)	(117,736)	(31,038)
Balance, end of the year	290,074	370,801	10,501	331,765
Less amounts included in current liabilities	-	280,801	-	241,765
	$ 290,074	$ 90,000	$ 10,501	$ 90,000

Included in "research and other" category are grants and donations of $32,927 (2007 - $31,038) used for capital acquisitions.

11. Unamortized deferred capital contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Balance, beginning of the year	$ 982,131	$ 885,231
Additions from deferred contributions (Note 10)	194,658	148,774
Repayment of long-term debt	1,829	-
Amortization to revenue	(56,971)	(51,874)
Balance, end of the year	$ 1,121,647	$ 982,131

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12. Endowments

Endowments consist of:

- Internal allocations by the Board of Governors (internally restricted).
- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted).

The investment income earned on internally restricted endowments is used to fund research and other activities of importance to the University as directed by Board of Governors' resolutions. The internally restricted endowments were created from the proceeds received in prior years from the sale of University land and from other sources. The purpose of the internally restricted endowments cannot be changed without approval of the Board of Governors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

	2008			2007		
	Externally restricted	Internally restricted	Total	Externally restricted	Internally restricted	Total
Cumulative contributions	$ 434,071	$ 14,634	$ 448,705	$ 382,215	$ 14,634	$ 396,849
Cumulative capitalized income	244,976	40,510	285,486	314,119	40,510	354,629
	$ 679,047	$ 55,144	$ 734,191	$ 696,334	$ 55,144	$ 751,478

During the 2008 year, cumulative capitalized income of $70,151 was required to cover the investment loss on externally restricted endowments of $42,954 and the approved endowment spending allocation of $27,197. The adoption of the new financial instruments accounting standard resulted in an increase to cumulative capitalized income of $1,008 (Note 2). Per the terms and conditions of specific endowments, $805 was decapitalized for spending purposes (2007 - $503). During the 2007 year, the University capitalized $32,536 of income related to externally restricted endowments.

During the 2007 year, the University approved a transfer of $2,145 from unrestricted net assets to internally restricted endowment net assets, which represented the investment income in excess of the spending allocation. In 2007, The University also approved the permanent endowment of the Endowment Fund for the Future – Henry Marshall Tory Chairs and transferred $14,687 from internally restricted endowments to externally restricted endowments.

The Board of Governors approved to permanently endow other unrestricted funds and transferred $193 (2007 – $5,469) from unrestricted net assets to permanently restricted endowments.

The University received matching grant funds of $5,000 (2007 - $5,000) from the Province of Alberta's Access to the Future Fund. These funds were then capitalized from deferred contributions to externally restricted endowments. Cumulative contributions include a grant of $12,789 (2007 - $24,500) from the Province of Alberta for the China Institute Endowment.

(in thousands of dollars)

13. Investment in capital assets and collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2008	2007
Capital assets and collections at net book value (Note 6)	$ 1,718,478	$ 1,537,838
Less amounts financed by:		
Unamortized deferred capital contributions (Note 11)	(1,121,647)	(982,131)
Long-term obligations related to capital expenditures	(189,163)	(145,289)
Investment in capital assets and collections, end of year	$ 407,668	$ 410,418

	2008	2007
The changes during the year are as follows:		
Investment in capital assets and collections, beginning of year	$ 410,418	$ 387,641
Acquisition of capital assets and collections (Note 14)	37,706	91,997
Long-term obligations - repayment	6,858	7,177
Long-term obligations - new financing	(23,446)	(30,689)
Net book value of asset disposals	(636)	(1,115)
Amortization of investment in capital assets	(45,911)	(46,172)
Net investment in capital assets	(25,429)	21,198
Contributions of assets not subject to amortization	22,679	1,579
Increase (decrease) for the year	(2,750)	22,777
Investment in capital assets and collections, end of year	$ 407,668	$ 410,418

14. Interim internal financing of acquisition of capital assets

Included in the acquisition of capital assets and collections for 2008 is the reversal of $36,641 of internal financing that was required in 2007 for two large projects. The funding for these projects was received in 2008.

15. Contingent liabilities and commitments

a) The University is a defendant in a number of legal proceedings. While the ultimate outcome and liability of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

b) Academic staff members are entitled to a professional expense allowance, enabling them to incur expenditures for their teaching, research, professional, or general University duties. At March 31, 2008 approximately $9,272 (2007 - $7,955) of such allowances is committed for expenditures not yet incurred.

c) The University is one of 58 members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability, and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2007 CURIE had a surplus of $16,825 (2006 - $16,507). This surplus is an accumulation of four different underwriting periods. The University participates in three of the underwriting periods, which have an accumulated surplus of $13,737 (2006 - $13,517) of which the University's pro rata share is approximately 6.69% (2006 – 6.74%). This surplus is not recorded in the financial statements.

d) At March 31, 2008 the University has contractual commitments for capital projects greater than $1 million of approximately $637,000 (2007 – approximately $656,000).

e) On March 31, 2005 the University renewed their 5 year agreement for information technology support with an external party. The cost of $14,996 over the remaining two years provides for manager application support services.

f) In order to manage its exposure to the volatility in the electrical industry, the University has entered into contracts to fix a portion of its electrical cost at an average of $71.72 per megawatt hour. The three contracts totaling $122,167 (2007 - $138,828) expire on December (2010, 2012, 2016).

g) The University has identified potential asset retirement obligations related to the existence of asbestos in a number of its facilities. Although not a current health hazard, upon renovation or demolition of these facilities, the University may be required to take appropriate remediation procedures to remove the asbestos. As the University has no legal obligation to remove the asbestos in these facilities as long as the asbestos is contained and does not pose a public health risk, the fair value of the obligation cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligations for these assets will be recorded in the period in which there is certainty that the capital project will proceed and there is sufficient information to estimate fair value of the obligation.

h) During the year, the University entered into a partnership agreement with iNovia Investment Fund II-B, Limited Partnership, which invests in the sectors of technology, energy, life sciences and applied sciences. The partnership will continue until April 17, 2017, extendable for up to three additional years. The University subscribed to 5 million partnership units at a price of $1.00 per unit of which 500,000 were purchased during the year. The remaining commitment of $4,500 is due at such times and in such amounts as the General Partner may determine.

16. Financial Instruments

Financial statements are exposed to credit risk, interest rate risk, foreign exchange risk and market risk. The University's receivables are due from a diverse group of customers and are subject to normal credit risk other than receivables from government entities which are at lower than normal risk. The interest rate risk is the risk to earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates or the inability to obtain lower rates on fixed rate instruments when interest rates rise. The foreign exchange risk is the risk of fluctuations in costs related to purchase transactions mainly in US dollars and amounts collected for receivables which are due in US dollars. The market risk is the risk to earnings that arises from the fluctuation and the degree of volatility in the value of investments. Each of these risks is managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

Derivative financial instruments are used to manage certain market and currency exposures primarily with respect to the University's investments. The University uses foreign currency forward contracts to manage its foreign exchange currency exposure on certain investments, and has entered into foreign currency forward contracts to minimize exchange rate fluctuations. All outstanding contracts have a remaining term to maturity of less than one year. The University has contracts outstanding held in US dollars, Euro, Japanese yen and the British pound among others. At March 31, 2008 the fair value of net outstanding foreign currency forward contracts payable is $6,975 (2007 - $1,195 accounts receivable).

(in thousands of dollars)

17. **Related party transactions**

The University operates under the authority and statutes of the Province of Alberta. Transactions between the University and the Province of Alberta are summarized below.

	2008	2007
Advanced Education and Technology:		
Operating grant	$ 442,168	$ 403,643
Enrolment planning envelope grants	38,127	28,489
Performance envelope award	3,266	5,091
Capital grants	412,301	99,074
Alberta Innovation and Science	28,828	26,978
Access to the future fund (matching grants)	5,000	5,000
Other	14,899	16,518
Total Advanced Education and Technology	944,589	584,793
Other provincial departments and agencies:		
Alberta Health and Wellness	40,454	43,021
Alberta Foundation for Medical Research	28,322	25,751
Capital Health	18,534	38,644
Alberta Ingenuity Fund	16,035	14,330
Other	26,142	15,856
Total other provincial departments and agencies	129,487	137,602
Total contributions received	1,074,076	722,395
Less: deferred contributions	(449,829)	(121,829)
Revenue from provincial government	$ 624,247	$ 600,566

The University of Alberta has accounts receivable from the Province of Alberta of $88,853 (2007 - $52,211) and accounts payable to the Province of Alberta of $1,368 (2007 - $1,400).

The Province of Alberta has provided $12,789 (2007 - $24,500) in matching grants for externally restricted endowment contributions during the year, which is included in endowment net assets. Capital Health has provided $3,000 (2007 - $16,500) in grants for externally restricted endowment contributions, which is included in endowment net assets.

These transactions are measured at the exchange amount, which is the amount of the consideration established and agreed to by the related parties.

The University has long-term obligations with Alberta Finance and Alberta Capital Finance Authority as described in Note 9 (Long-term obligations).

(in thousands of dollars) MARCH 31, 2008

18. Budget comparison

	Actual	Budget	Variance
Revenue:			
Government	$ 777,872	$ 746,747	$ 31,125
Credit course tuition and related fees	188,988	168,132	20,856
Sales of services and products	196,224	189,578	6,646
Grants, donations and investment income	65,384	87,715	(22,331)
	1,228,468	1,192,172	36,296
Amortization of deferred capital contributions	56,971	69,866	(12,895)
	1,285,439	1,262,038	23,401
Expense:			
Salaries	664,404	635,073	29,331
Employee benefits	121,268	118,718	2,550
Materials, supplies, services and other expenses	447,196	405,011	42,185
Amortization of capital assets	102,882	101,285	1,597
	1,335,750	1,260,087	75,663
Excess (deficiency) of revenue over expense	$ (50,311)	$ 1,951	$ (52,262)

19. Salary and employee benefits

A Treasury Board Directive under the *Financial Administration Act* of the Province of Alberta requires the disclosure of certain salary and employee benefits information.

	2008					2007
	Base salary [1]	Other cash benefits [2]	Other non-cash benefits [3] [7]	Total		Total
Governance [4]						
Chair of the Board of Governors	$ -	$ -	$ -	$ -		$ -
Members of the Board of Governors	-	-	-	-		-
Executive						
President	436	-	191	627		591
Vice-Presidents:						
Provost and Vice-President Academic	363	54	201	618		599
Vice-President Research [5]	356	14	137	507		353
Vice-President Finance and Administration	355	-	299	654	[3a]	455
Vice-President External Relations [6]	314	-	114	428		307
Vice-President Facilities and Operations	350	-	318	668	[3a]	459

[1] Base salary includes pensionable base pay.
[2] Other cash benefits include administrative honorarium and research grants in lieu of salary.
[3] Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, group life insurance, employee family assistance program, critical illness, supplementary health care, short and long-term disability plans, dental plan, supplemental pension plans (per footnote [7]), accidental disability and dismemberment. Benefits for some of the executive also include professional leave, car allowance and memberships. In recognition that the University uses the President's home for various University functions, the University pays for certain costs for the general operation of her home determined in accordance with a contractual arrangement entered into by the President and the University. Included in non-cash benefits is the President's taxable benefit portion (46%) of these costs.
[3a] In the current year, certain individuals became eligible for an additional six month professional leave. Included in non-cash benefits is the equivalent of an additional six months salary for Vice-President Finance and Administration ($176) and Vice-President Facilities Operations ($179).

(in thousands of dollars) MARCH 31, 2008

(4) The Chair and Members of the Board of Governors receive no remuneration for participation on the Board.
(5) Two individuals held this position in 2008.
(6) The External Relations Portfolio was filled on July 1, 2006.
(7) Under the terms of the supplementary retirement plan (SRP), the executive may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the current year. Prior service and other costs include amortization of past service costs on plan initiation, amortization or actuarial gains and losses, and interest accruing on the actuarial liability.

	Current service cost	Prior service and other costs	2008 Total	2007 Total
Executive				
President	$ 99	$ 13	$ 112	$ 110
Vice-Presidents:				
Provost and Vice-President Academic	106	30	136	147
Vice-President Research	68	2	70	55
Vice-President Finance and Administration	68	14	82	76
Vice-President External Relations	56	3	59	39
Vice-President Facilities and Operations	71	14	85	80

The accrued obligation of each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2007	Changes in accrued obligation	Accrued obligation March 31, 2008
Executive			
President	$ 179	$ 94	$ 273
Vice-Presidents:			
Provost and Vice-President Academic	403	100	503
Vice-President Research	126	(69)	57
Vice-President Finance and Administration	188	69	257
Vice-President External Relations	44	54	98
Vice-President Facilities and Operations	196	71	267

20. **Comparative figures**

Certain 2007 figures have been reclassified to conform to the presentation adopted in the 2008 financial statements.

UNIVERSITY OF CALGARY

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Consolidated Financial Statements

For the Year Ended
March 31, 2008

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Auditor's Report

To the Board of Governors of the University of Calgary

I have audited the consolidated statement of financial position of the University of Calgary as at March 31, 2008 and the consolidated statements of revenue, expense, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I draw your attention to Note 12 to the financial statements that describes the unfunded liability of the Universities Academic Pension Plan which may affect the University's future financial statements. Our opinion is not qualified in respect of this matter.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 16, 2008

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

		2008		2007
CURRENT ASSETS				
Cash and cash equivalents (note 4)	$	**264,075**	$	227,685
Investments (note 4)		**95,474**		107,775
Accounts receivable		**102,680**		98,550
Inventories		**5,235**		5,713
Prepaid expenses		**2,359**		3,677
		469,823		443,400
LONG-TERM INVESTMENTS (note 5)		**458,171**		386,296
OTHER LONG-TERM ASSETS (note 6)		**21,372**		32,342
CAPITAL ASSETS AND COLLECTIONS (note 7)		**833,950**		749,690
		1,783,316		1,611,728
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable		**72,234**		69,280
Deferred revenue		**21,258**		15,879
Deferred contributions, research and other (note 9)		**288,750**		248,439
Current portion of long-term liabilities (note 11)		**5,551**		2,886
		387,793		336,484
DEFERRED CAPITAL CONTRIBUTIONS (note 9)		**120,656**		60,774
LONG-TERM LIABILITIES (note 11)		**36,971**		28,021
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (note 10)		**587,382**		510,559
NET ASSETS				
Restricted for endowment purposes (note 13)		**426,030**		437,175
Investment in capital assets and collections (note 14)		**211,664**		214,190
Internally restricted (note 15)		**26,264**		26,327
Unrestricted		**(13,444)**		(1,802)
		650,514		675,890
	$	**1,783,316**	$	1,611,728

Commitments and contingencies (note 20)

Signed on behalf of the Board of Governors:

Board Chair

Vice-President (Finance & Services)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

		2008		2007
REVENUE				
Government of Alberta grants (note 21)	$	**405,812**	$	365,253
Other government grants		**88,461**		91,468
Donations and other grants		**75,878**		78,802
Credit tuition and related fees		**123,360**		121,716
Non-credit tuition and related fees		**15,608**		15,775
Sales of services and products		**82,090**		81,507
Amortization of deferred capital contributions (note 10)		**48,951**		47,516
Investment (loss) income (note 16)		**(2,704)**		24,871
		837,456		826,908
EXPENSE				
Salaries		**449,962**		410,475
Benefits		**72,740**		63,924
Materials, supplies and services		**141,127**		141,064
Amortization of capital assets		**80,142**		73,255
Utilities		**27,707**		24,495
Scholarships, grants and awards		**45,073**		41,969
Travel		**24,559**		23,289
Cost of goods sold		**15,541**		16,423
Maintenance and repairs		**13,565**		16,785
Financing		**1,433**		1,597
		871,849		813,276
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE (note 18)	$	**(34,393)**	$	13,632

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

	2008	2007
CURRENT ASSETS		
Cash and cash equivalents (note 4)	$ 264,075	$ 227,685
Investments (note 4)	95,474	107,775
Accounts receivable	102,680	98,550
Inventories	5,235	5,713
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LONG-TERM INVESTMENTS (note 5)	458,171	386,296
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	1,783,316	1,611,728
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	72,234	69,280
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NET ASSETS		
Restricted for endowment purposes (note 13)	426,030	437,175
Investment in capital assets and collections (note 14)	211,664	214,190
Internally restricted (note 15)	26,264	26,327
Unrestricted	(13,444)	(1,802)
	650,514	675,890
	$ 1,783,316	$ 1,611,728

Commitments and contingencies (note 20)

Signed on behalf of the Board of Governors:

Board Chair

Vice-President (Finance & Services)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

		2008		2007
REVENUE				
Government of Alberta grants (note 21)	$	**405,812**	$	365,253
Other government grants		**88,461**		91,468
Donations and other grants		**75,878**		78,802
Credit tuition and related fees		**123,360**		121,716
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Amortization of deferred capital contributions (note 10)		**48,951**		47,516
Investment (loss) income (note 16)		**(2,704)**		24,871
		837,456		826,908
EXPENSE				
Salaries		**449,962**		410,475
Benefits		**72,740**		63,924
Materials, supplies and services		**141,127**		141,064
Amortization of capital assets		**80,142**		73,255
Utilities		**27,707**		24,495
Scholarships, grants and awards		**45,073**		41,969
Travel		**24,559**		23,289
Cost of goods sold		**15,541**		16,423
Maintenance and repairs		**13,565**		16,785
Financing		**1,433**		1,597
		871,849		813,276
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE (note 18)	$	**(34,393)**	$	13,632

The accompanying notes are part of these consolidated financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

	Restricted for Endowment Purposes (note 13)	Investment in Capital Assets & Collections (note 14)	Internally Restricted (note 15)	Unrestricted	2008 Total	2007 Total
NET ASSETS, beginning of year	$ 437,175	$ 214,190	$ 26,327	$ (1,802)	**$ 675,890**	$ 593,785
Adoption of new financial instruments accounting policy (note 3)	(717)	897	-	(897)	**(717)**	-
(Deficiency) Excess of revenue over expense	-	-	-	(34,393)	**(34,393)**	13,632
Amortization of internally funded capital assets	-	(31,191)	-	31,191	-	-
Expenditure of Internally Restricted net assets	-	-	(1,756)	1,756	-	-
Purchase and contribution of capital assets	-	37,829	(849)	(36,446)	**534**	402
Transfer to long-term debt	-	(11,705)	-	11,705	-	-
Repayment of long-term debt	-	1,644	-	(1,644)	-	-
Board transfers	544	-	2,542	(3,086)	-	-
Transfers for endowment expenditures	(16,381)	-	-	16,381	-	(13,315)
Investment Transfers for (loss) gain on endowments	(18,864)	-	-	3,395	**(15,469)**	47,222
Contributions	24,273	-	-	396	**24,669**	34,164
NET ASSETS, end of year	**$ 426,030**	**$ 211,664**	**$ 26,264**	**$ (13,444)**	**$ 650,514**	$ 675,890

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

		2008		2007
CASH PROVIDED FROM (USED IN):				
OPERATING ACTIVITIES				
(Deficiency) Excess of revenue over expense	$	(34,393)	$	13,632
Items not affecting cash flow:				
Amortization of capital assets		80,142		73,255
Amortization of deferred capital contributions		(48,951)		(47,516)
Loss (Gain) on non-endowed & internally endowed investments		1,981		(17,476)
Net change in non-cash working capital*		58,611		(20,626)
		57,390		1,269
INVESTING ACTIVITIES				
Purchase of capital assets		(164,402)		(111,433)
Contribution of non-amortizable assets		534		402
Decrease (Increase) in other long-term assets		10,970		(3,093)
(Purchase) Proceeds of long-term investments, net		(89,325)		9,066
Loss (Gain) on externally endowed investments		15,469		(17,839)
		(226,754)		(122,897)
FINANCING ACTIVITIES				
Endowment contributions		23,952		34,164
Capital contributions		185,656		126,086
Net increase in long-term liabilities		11,615		827
Market value (decrease) increase of external endowments		(15,469)		17,839
Excess of investment revenue over expenditures capitalized to endowments		-		16,068
		205,754		194,984
INCREASE IN CASH AND CASH EQUIVALENTS		36,390		73,356
CASH AND CASH EQUIVALENTS, beginning of year		227,685		154,329
CASH AND CASH EQUIVALENTS, end of year (note 4)	$	264,075	$	227,685

***Net change in non-cash working capital:**		2008		2007
(Increase) Decrease in Investments	$	12,301	$	(13,534)
Increase in Accounts receivable		(4,130)		(16,227)
Decrease in Inventories		478		221
Decrease in Prepaid expenses		1,318		606
Increase (Decrease) in Accounts payable		2,954		(4,830)
Increase (Decrease) in Deferred revenue		5,379		(237)
Increase in Deferred contributions, research and other		40,311		13,375
	$	58,611	$	(20,626)

The accompanying notes are part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

UNIVERSITY OF CALGARY

	Restricted for Endowment Purposes (note 13)	Investment In Capital Assets & Collections (note 14)	Internally Restricted (note 15)	Unrestricted	2008 Total	2007 Total
NET ASSETS, beginning of year	$ 437,175	$ 214,190	$ 26,327	$ (1,802)	**$ 675,890**	$ 593,785
Adoption of new financial instruments accounting policy (note 3)	(717)	897	-	(897)	**(717)**	-
(Deficiency) Excess of revenue over expense	-	-	-	(34,393)	**(34,393)**	13,632
Amortization of internally funded capital assets	-	(31,191)	-	31,191	-	-
Expenditure of Internally Restricted net assets	-	-	(1,756)	1,756	-	-
Purchase and contribution of capital assets	-	37,829	(849)	(36,446)	**534**	402
Transfer to long-term debt	-	(11,705)	-	11,705	-	-
Repayment of long-term debt	-	1,644	-	(1,644)	-	-
Board transfers	544	-	2,542	(3,086)	-	-
Transfers for endowment expenditures	(16,381)	-	-	16,381	-	(13,315)
Investment Transfers for (loss) gain on endowments	(18,864)	-	-	3,395	**(15,469)**	47,222
Contributions	24,273	-	-	396	**24,669**	34,164
NET ASSETS, end of year	**$ 426,030**	**$ 211,664**	**$ 26,264**	**$ (13,444)**	**$ 650,514**	$ 675,890

The accompanying notes are part of these consolidated financial statements.

UNIVERSITY OF CALGARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008
(thousands of dollars)

		2008		2007
CASH PROVIDED FROM (USED IN):				
OPERATING ACTIVITIES				
(Deficiency) Excess of revenue over expense	$	(34,393)	$	13,632
Items not affecting cash flow:				
Amortization of capital assets		80,142		73,255
Amortization of deferred capital contributions		(48,951)		(47,516)
Loss (Gain) on non-endowed & internally endowed investments		1,981		(17,476)
Net change in non-cash working capital*		58,611		(20,626)
		57,390		1,269
INVESTING ACTIVITIES				
Purchase of capital assets		(164,402)		(111,433)
Contribution of non-amortizable assets		534		402
Decrease (Increase) in other long-term assets		10,970		(3,093)
(Purchase) Proceeds of long-term investments, net		(89,325)		9,066
Loss (Gain) on externally endowed investments		15,469		(17,839)
		(226,754)		(122,897)
FINANCING ACTIVITIES				
Endowment contributions		23,952		34,164
Capital contributions		185,656		126,086
Net increase in long-term liabilities		11,615		827
Market value (decrease) increase of external endowments		(15,469)		17,839
Excess of investment revenue over expenditures capitalized to endowments		-		16,068
		205,754		194,984
INCREASE IN CASH AND CASH EQUIVALENTS		36,390		73,356
CASH AND CASH EQUIVALENTS, beginning of year		227,685		154,329
CASH AND CASH EQUIVALENTS, end of year (note 4)	$	264,075	$	227,685

***Net change in non-cash working capital:**		2008		2007
(Increase) Decrease in Investments	$	12,301	$	(13,534)
Increase in Accounts receivable		(4,130)		(16,227)
Decrease in Inventories		478		221
Decrease in Prepaid expenses		1,318		606
Increase (Decrease) in Accounts payable		2,954		(4,830)
Increase (Decrease) in Deferred revenue		5,379		(237)
Increase in Deferred contributions, research and other		40,311		13,375
	$	58,611	$	(20,626)

The accompanying notes are part of these consolidated financial statements.

Note 1 Authority and Purpose

The University of Calgary ("the University") operates under *The Post-Secondary Learning Act*. It is a Board-governed, comprehensive research University offering undergraduate and graduate degree programs as well as a full range of continuing education programs and activities. The University is a registered charity, and under Section 149 of the *Income Tax Act*, is exempt from the payment of income tax. The tax exemption does not extend to its wholly-owned subsidiary, University Technologies International Inc.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General

The financial statements of the University have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Consolidated Statements

The financial statements are prepared on a consolidated basis and include:

- the combined accounts of University Technologies Group consisting of:
  - University Technologies International Inc. (UTI),
  - University Technologies International Limited Partnership (UTI LP), a limited partnership held in trust by the University,
  - UTI LP's wholly owned subsidiaries,
- the accounts of The Arctic Institute of North America (AINA), a non-profit organization controlled by the University.

UTI LP operates to facilitate the transfer of intellectual property from the University to private business. AINA operates under the authority of the Act of the Federal Parliament (9-10 George VI, Chapter 45) to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

(c) Revenue Recognition

The financial statements record the following items as revenue – at the following times:

- Operating grants – when received or receivable, or, where a portion of the grant relates to a future period, it is deferred and recognized in the subsequent period.
- Unrestricted contributions - when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.
- Unrestricted investment income - when earned.
- Tuition fees – when the instruction is delivered.
- Revenues received for sales of services and products - when the services are substantially provided or the products are delivered.
- Donations of materials and services – recorded at fair value when a fair value can be reasonably determined and when materials and services would otherwise have been purchased.
- Pledges - when collected.
- Restricted contributions and grants - based on the deferral method as summarized below:

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Restricted contributions – deferral method

Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or the acquisition of capital assets, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions to acquire capital assets with a limited life are first recorded as deferred capital contributions when received, until the contribution is invested in capital assets. When expended, amounts representing funded capital assets are then transferred to unamortized deferred capital contributions and amortized as deferred capital contributions in the periods in which the related amortization expense of the funded capital asset is recognized.

Contributions restricted to the acquisition of land and permanent collections are first recorded as deferred contributions when received, and, when expended, they are recognized as direct increases in capital assets and collections.

Endowment contributions, including investment earnings, are recognized as direct increases in endowment net assets. Investment earnings are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are deferred and recognized as revenue when the conditions of the endowment are met.

(d) Investments

Investments are recorded at fair market value. They are initially recognized at acquisition cost and subsequently re-measured at fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the balance sheet date. For securities where market quotes are not available, the University uses estimation techniques to determine fair value. Estimation techniques used include discounted cash flows and internal models that utilize observable market data or comparisons with other securities that are substantially the same. Changes in market values from one period to the next are included in the investment income (loss) for the period (Note 16).

(e) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Cost is determined on a weighted moving average basis.

(f) Patents

Patents are recorded at cost and include acquisition and maintenance costs. The carrying value of patents related to a project is limited to the estimated future net cash flows expected to be derived from the project. Patent costs in excess of estimated future net cash flows are written off.

Patents are amortized on a straight-line basis over a 10 year estimated useful life.

(g) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market when a fair value can be reasonably determined. Permanent collections are not amortized and include that portion of library assets with permanent value and works of art held for education and public exhibition purposes.

Buildings, plant and site improvements include construction in progress. The costs of buildings under construction are not amortized until construction is substantially complete and the assets are ready for productive use.

The fair value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the asset and amortized over its estimated useful life.

(thousands of dollars)

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Software development is not amortized until development is complete and the assets are ready for productive use.

Amortization is recorded on a straight-line basis over the estimated useful lives of the capital assets, as follows:

- Buildings and plant	40 years
- Site improvements	20 years
- Telecommunication equipment, furnishings and library acquisitions	10 years
- Equipment	6 years, average
- Software	3 years

(h) Employee Future Benefits

The University participates with other employers in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit pension plans that provide pensions for the University's participating employees based on years of service and earnings. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits payable under the respective pension plans. The University does not record the University's portion of the pension plans' deficit or surplus.

The University has a number of defined benefit plans providing long-term disability, early retirement incentives and pension benefits. The early retirement plans were available to employees from 1992 to 1998. The cost of these benefits is actuarially determined using the projected benefit method pro rated on service, a market interest rate and management's best estimate of the retirement ages of employees, expected health care costs and the terms of employee disability agreements.

With respect to the:

- employees on long-term disability, actuarial gains and losses are amortized over the average expected term of the payments.
- early retirement incentive plan, actuarial gains and losses are recognized immediately.
- supplemental pension obligation, for each plan participant, the balance of actuarial gains and losses in excess of 10% of the accrued benefit obligation is amortized over the expected service lifetime.

(i) Credit, Liquidity, Foreign Exchange, Commodity Price and Market Risk

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricting enrollment activities for students with delinquent balances and maintaining standard collection procedures.

Liquidity Risk
The University maintains a short term line of credit with the Royal Bank that is designed to ensure sufficient available funds to meet current and forecast financial requirements as cost effectively as possible. As at March 31, 2008 the University had committed borrowing facilities of $10M, none of which had been drawn.

Foreign Exchange Risk
The University has entered into a contract with the Qatari government to operate a campus in Qatar. Foreign exchange risk has been mitigated through negotiating payment of management fees in Canadian dollars. All expenses incurred are recovered from the government of Qatar and claims are adjusted to reflect currency fluctuations, thus eliminating exchange risk exposure to the University.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into a three year fixed price electricity contract to commence April 1, 2008. Additionally, the University is in the process of procuring a fixed price natural gas contract, which is estimated to be complete by July, 2008.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Market Risk
The market risk is the risk to the University's earnings that arises from the fluctuations and degree of volatility in the market value of its long-term investments. Market risk consists of price risk, foreign currency risk and interest rate risk with respect to its investment portfolio. To manage market risk, the University has established a target mix of investment types designed to achieve the optimal returns with reasonable risk tolerances.

(j) Financial Instruments

On April 1, 2007, the University adopted the provisions of CICA handbook section 3855 "Financial Instruments, Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation".

This new standard requires the University to revalue certain financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent report date.

The new standard also requires the University to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include: a) held for trading (HFT) – measured at fair value with changes in fair value recorded in statement of revenue and expense; b) held to maturity (HTM) – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the asset is derecognized; c) available for sale (AFS) – measured at fair value with changes in fair value recorded separately in net assets until the asset is derecognized; and, d) loans and receivables – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the asset is derecognized. Classification choices for financial liabilities include: a) HFT – measured at fair value with changes in fair value recorded in statement of revenue and expense; and, b) other liabilities – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the liability is derecognized.

In accordance with the new standard, the University's financial assets and liabilities are generally classified and measured as follows:

Financial Statement Components	Classification	Measurement
Cash and cash equivalents	HFT	Fair Value
Investments	HFT	Fair Value
Accounts receivable	Loans and Receivables	Cost
Other Long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Cost
Long-term liabilities	Other liabilities	Amortized cost

The following financial instruments are included in other long-term assets (note 6)

- Receivable from Alberta Heritage Foundation for Medical Research (AHFMR)
- Receivable from the City of Calgary related to disposition of real estate

All other accounts in the Statement of Financial Position have not been classified as they are not within the scope of the new accounting standards.

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred. As permitted for Not-for-Profit Organizations, the University has elected not to apply the standards for embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

(thousands of dollars)

Note 3 Accounting Policy Developments

Effects of measurement from adopting Section 3855
The new standards were applied retrospectively without restatement of prior periods on March 31, 2007.

Accounts receivable included in other assets have been valued at amortized cost over their repayment term. Both financial instruments were revalued using the risk free rates on their dates of recognition. The receivable from AHFMR was valued using a discount rate of 3.18% (Government of Canada bond rate at June 30, 2004, average yield, 1 – 3 years) over a term of four years. The receivable from the City of Calgary (which relates to disposal of real property – see note 6) was valued using a discount rate of 3.97% (Government of Canada bond rate at February 28, 2007, average yield, 1 – 3 years) over a term of two years.

The transitional impact of the new standards on relevant items in the University's opening Statement of Financial Position on April 1, 2007 is summarized as follows:

	2008		2007
	Adjusted opening balances	Transitional Impact	As Previously Reported
Statement of Financial Position			
Increase (decrease) in:			
Receivable from AHFMR included in other long-term assets	$ 11,103	$ (897)	$ 12,000
Unamortized Deferred Capital Contributions	509,662	(897)	510,559
Unrestricted Net Assets	(2,699)	(897)	(1,802)
Investment in Capital Assets & Collections	215,087	897	214,190
Receivable from City of Calgary included in other assets	12,283	(717)	13,000
Restricted for Endowment Purposes	$ 436,458	$ (717)	$ 437,175

Note 4 Cash and Cash Equivalents and Investments

				2008		2007
	Cash & Cash Equivalents	Current Investments [2]	Total Market	Total Cost	Total Market	Total Cost
Money market Investments [1]	$ 271,304	$ -	$ 271,304	$ 271,304	$ 239,672	$ 239,672
Bank balances [3]	(7,229)	-	(7,229)	(7,229)	(11,987)	(11,987)
Bonds [4]	-	65,031	65,031	64,254	79,484	79,309
Shares	-	861	861	682	682	682
Mortgage fund	-	29,582	29,582	29,315	27,784	27,784
Balance, end of year	264,075	95,474	359,549	358,326	335,635	335,460
Total, 2007	$ 227,685	$ 107,950	$ 335,635	$ 335,460		

(thousands of dollars)

Note 4 Cash and Cash Equivalents and Investments (continued)

(1) Money market investments are purchased at a discount. These investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2008 the investments held have an average effective yield of 3.97% (2007 - 4.35%) and will mature within 45 days (2007 - 45 days). The University of Calgary also invests in an externally managed money market fund with an average yield of 4.38% (2007 - 4.19%). The combined average realized return on money market investments for 2007 was 4.17% (2007 - 4.27%).

(2) Current investments consist of bonds that have a maximum allowable term of eight years and stated interest ranging from 3.55% to 7.01% (2007 - 3.50% to 7.60%). All bonds have a rating of a single "A" or better. Effective yield for bonds is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration method.

(3) The bank overdraft is a temporary condition existing at year end and represents cheques issued by the University not yet cleared by the University's bank. Subsequent to year end, the majority of these cheques were presented for payment and cleared by the bank.

(4) The effective yields on current bonds are as follows:

			2008			2007
	Effective Yield	Market	Cost	Effective Yield	Market	Cost
Current Investments - Bond Maturity						
0-2 years to maturity	5.02%	$ 21,481	$ 21,127	3.55%	$ 15,970	$ 15,885
2-5 years to maturity	5.34%	28,847	28,542	4.86%	32,078	32,049
> 5 years to maturity	5.30%	14,703	14,585	6.43%	31,436	31,375
Total		$ 65,031	$ 64,254		$ 79,484	$ 79,309

Note 5 Long-term Investments

		2008		2007
	Annual Market Yield		Annual Market Yield	
Money market investments		$ 52,097		$ 1,131
S&P/TSX index	4.11%	8,980	11.54%	8,625
Bond index	5.65%	112,050	5.52%	94,816
International index	-14.63%	78,450	20.85%	82,925
S & P 500 index	-15.52%	5,021	10.61%	5,654
Canadian shares	-18.70%	140,274	13.40%	126,053
U.S. shares	4.88%	61,299	9.23%	66,494
Investment in joint venture	-	-	-	598
Balance, end of year		$ 458,171		$ 386,296

The University's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the University's investments. The Committee meets quarterly during the year to monitor investments and to review the performance of the Investment Managers to ensure they are in compliance with the investment objectives and policies of the University. The Committee reports quarterly to the Board of Governors.

The University employs a mix of passive and active investment management strategies for long-term investments and an active management strategy for the short-term money market portfolio and short-term bond portfolio. For the long-term endowment portfolio the Investment Committee established the asset mix at 70% equity and 30% debt. Within the equity mix, the Investment Committee further sets out acceptable ranges for investment within the various funds (Canadian 43%, U.S. 28.50%, International 28.50%).

(thousands of dollars)

Note 3 Accounting Policy Developments

Effects of measurement from adopting Section 3855
The new standards were applied retrospectively without restatement of prior periods on March 31, 2007.

Accounts receivable included in other assets have been valued at amortized cost over their repayment term. Both financial instruments were revalued using the risk free rates on their dates of recognition. The receivable from AHFMR was valued using a discount rate of 3.18% (Government of Canada bond rate at June 30, 2004, average yield, 1 – 3 years) over a term of four years. The receivable from the City of Calgary (which relates to disposal of real property – see note 6) was valued using a discount rate of 3.97% (Government of Canada bond rate at February 28, 2007, average yield, 1 – 3 years) over a term of two years.

The transitional impact of the new standards on relevant items in the University's opening Statement of Financial Position on April 1, 2007 is summarized as follows:

	2008		2007
	Adjusted opening balances	**Transitional impact**	**As Previously Reported**
Statement of Financial Position			
Increase (decrease) in:			
Receivable from AHFMR included in other long-term assets	$ 11,103	$ (897)	$ 12,000
Unamortized Deferred Capital Contributions	509,662	(897)	510,559
Unrestricted Net Assets	(2,699)	(897)	(1,802)
Investment in Capital Assets & Collections	215,087	897	214,190
Receivable from City of Calgary included in other assets	12,283	(717)	13,000
Restricted for Endowment Purposes	$ 436,458	$ (717)	$ 437,175

Note 4 Cash and Cash Equivalents and Investments

	2008				2007	
	Cash & Cash Equivalents	**Current Investments** [2]	**Total Market**	**Total Cost**	**Total Market**	**Total Cost**
Money market Investments [1]	$ 271,304	$ -	$ 271,304	$ 271,304	$ 239,672	$ 239,672
Bank balances [3]	(7,229)	-	(7,229)	(7,229)	(11,987)	(11,987)
Bonds [4]	-	65,031	65,031	64,254	79,484	79,309
Shares	-	861	861	682	682	682
Mortgage fund	-	29,582	29,582	29,315	27,784	27,784
Balance, end of year	264,075	95,474	359,549	358,326	335,635	335,460
Total, 2007	$ 227,685	$ 107,950	$ 335,635	$ 335,460		

(thousands of dollars)

Note 4 Cash and Cash Equivalents and Investments (continued)

(1) Money market investments are purchased at a discount. These investments must be rated R-1 low or better (rated by Dominion Bond Rating Service). At March 31, 2008 the investments held have an average effective yield of 3.97% (2007 - 4.35%) and will mature within 45 days (2007 - 45 days). The University of Calgary also invests in an externally managed money market fund with an average yield of 4.38% (2007 - 4.19%). The combined average realized return on money market investments for 2007 was 4.17% (2007 - 4.27%).

(2) Current investments consist of bonds that have a maximum allowable term of eight years and stated interest ranging from 3.55% to 7.01% (2007 - 3.50% to 7.60%). All bonds have a rating of a single "A" or better. Effective yield for bonds is calculated based on carrying values at year end and is disclosed on a weighted average basis using the duration method.

(3) The bank overdraft is a temporary condition existing at year end and represents cheques issued by the University not yet cleared by the University's bank. Subsequent to year end, the majority of these cheques were presented for payment and cleared by the bank.

(4) The effective yields on current bonds are as follows:

			2008			2007
	Effective Yield	Market	Cost	Effective Yield	Market	Cost
Current Investments - Bond Maturity						
0-2 years to maturity	5.02%	$ 21,481	$ 21,127	3.55%	$ 15,970	$ 15,885
2-5 years to maturity	5.34%	28,847	28,542	4.66%	32,078	32,049
> 5 years to maturity	5.30%	14,703	14,585	6.43%	31,436	31,375
Total		$ 65,031	$ 64,254		$ 79,484	$ 79,309

Note 5 Long-term Investments

		2008		2007
	Annual Market Yield		Annual Market Yield	
Money market investments		$ 52,097		$ 1,131
S&P/TSX index	4.11%	8,980	11.54%	8,625
Bond index	5.65%	112,050	5.52%	94,816
International index	-14.63%	78,450	20.85%	82,925
S & P 500 index	-15.52%	5,021	10.61%	5,654
Canadian shares	-18.70%	140,274	13.40%	126,053
U.S. shares	4.88%	61,299	9.23%	66,494
Investment in joint venture	-	-	-	598
Balance, end of year		$ 458,171		$ 386,296

The University's Investment Committee, a subcommittee of the Board of Governors, has the delegated authority for oversight of the University's investments. The Committee meets quarterly during the year to monitor investments and to review the performance of the Investment Managers to ensure they are in compliance with the investment objectives and policies of the University. The Committee reports quarterly to the Board of Governors.

The University employs a mix of passive and active investment management strategies for long-term investments and an active management strategy for the short-term money market portfolio and short-term bond portfolio. For the long-term endowment portfolio the Investment Committee established the asset mix at 70% equity and 30% debt. Within the equity mix, the Investment Committee further sets out acceptable ranges for investment within the various funds (Canadian 43%, U.S. 28.50%, International 28.50%).

Note 5 Long-term Investments (continued)

The University employs a strict rebalancing policy to ensure the asset mix stays within the allowable range for each class.

Asset Backed Commercial Paper
At March 31, 2008, the University held Canadian third party asset-backed commercial paper (ABCP) issued by a number of trusts with an original cost of $67.5 million. At the dates the University acquired these investments they were rated R1 (High) by Dominion Bond Rating Service (DBRS), the highest credit rating issued for commercial paper, and backed by R1 (High) rated assets and liquidity agreements. These investments matured during the second and third quarter of 2007-2008 but, as a result of liquidity issues in the ABCP market, did not settle on maturity. As a result, the University has classified its ABCP as long-term assets within Investments (money market) after initially classifying them as cash and cash equivalents.

During the week of Monday, August 13, 2007 the Canadian market for third-party asset-backed commercial paper suffered a liquidity disruption. On August 16, 2007, an announcement was made by a group representing banks, asset providers and major investors that they had agreed in principle to a long-term proposal and interim agreement to convert the ABCP into long-term floating rate notes maturing no earlier than the scheduled maturity of the underlying assets. This agreement, which came to be known as the Montreal Accord (the "Accord"), provided for a standstill period during which participating investors would not demand repayment of their ABCP investments as they matured and the commercial paper issuers would not make liquidity calls to their liquidity providers who, in turn, would not demand additional collateral from the issuers. Participants in the Accord also agreed in principle to the conversion of the ABCP notes into longer-term floating-rate notes with maturities corresponding to those of the underlying assets. The Pan-Canadian Investors Committee ("Investors Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period.

On June 5, 2008 the Ontario Superior Court Judge, Justice Colin Campbell approved the restructure of the $32 billion of frozen asset-backed commercial paper. In a 40 page decision Justice Campbell stated he was satisfied that the plan is designed to benefit all noteholders and that failure to approve it will almost certainly trigger huge losses and a cascade of law suits. The restructuring could be completed as early as the end of June 2008.

On March 31, 2008 there was no certainty regarding the outcome of the proposed restructuring and therefore there was a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Montreal Proposal ABCP. The University estimated the fair values of the Montreal Proposal ABCP using a valuation technique which incorporates a probability weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at March 31, 2008. The Plan provides for different restructuring processes, depending on the type of assets securitized by the various ABCP notes. Investors' holdings of ABCP backed by traditional assets ("TA") or ineligible assets ("IA") will be restructured separately as TA tracking notes or IA tracking notes, while notes backed primarily by synthetic assets will be pooled with those of other investors into one of two entities the Investors Committee refers to as "master asset vehicles" (or "MAV1" and "MAV2"), the University will participate in MAV2. In determining the fair values of the Montreal Proposal ABCP, the University assumed the Montreal Proposal ABCP would be converted to floating rate notes and in accordance with the key elements of the Framework Agreement:

- Traditional assets (represent primarily trade receivables, credit card receivables, personal lines of credit, auto and equipment loans, and residential and commercial mortgage backed securities). The University anticipates the restructured notes will include traditional securitized assets with a potential AAA rating and an expected average term to maturity of four years. (The University invested $9.9M in original principal in these assets).
- Synthetic assets (represent collateralized debt, traditional assets). The University anticipates the restructured synthetic notes will be comprised of Class A-1, Class A-2, Class B and Class C; with A-1 and A-2 receiving a potential AA rating, while B and C will be unrated. These pooled synthetic notes will be divided into senior and subordinated notes, the majority of which are expected to be ranked senior with a term to maturity of nine years. ($47.7M principal amount)
- Ineligible assets (represent primarily assets with exposure to the US sub-prime real estate market).

(thousands of dollars)

Note 5 Long-term Investments (continued)

The University anticipates receiving various long-term floating rate notes with a term to maturity between 6 to 29 years. There has been no indication whether these notes will be rated or not. ($9.9M principal amount)

In determining the fair values, the University also included factors taking into consideration current market conditions surrounding the Montreal Proposal ABCP such as liquidity and transparency. The University incorporated in the fair value calculation the restructuring costs applicable to all restructured notes based upon the recent experience of Skeena Capital Trust. Such restructuring costs are expected to further diminish returns on the Montreal Proposal ABCP. Based on these assumptions, the University recorded a reduction in fair value of $16.8M, which is included in the investment income, net.

As at March 31, 2008, the fair value of the University's Montreal Proposal ABCP was $50.7M and is summarized as below:

	Original Cost	Estimated Fair Value	(Gain) Write-Down	Write-Down Percent
Traditional assets	$ 9,919	$ 9,983	$ (64)	-0.64%
Synthetic assets	47,750	37,411	10,339	21.65%
Ineligible assets	9,853	3,306	6,547	66.45%
Sub-Total "Pan-Canadian Proposal"	$ 67,522	$ 50,700	$ 16,822	24.91%

Since the fair value of the Montreal Proposal ABCP is determined using a probability-weighted approach employing the foregoing assumptions and is based on the University's assessment of market conditions as at March 31, 2008, the fair value reported may change materially in subsequent periods. In addition, the fair value estimate is dependent upon the likelihood, nature and timing of future restructuring under the terms of the Montreal Proposal and the December 2007 Restructuring Proposal. The University also assigned probability weights to the likelihood of the proposal being accepted 95%, being accepted and later overturned by the courts 3% and that the required approval of the investors would not be met 2%.

Impact on operations:
The liquidity crisis in the Canadian market for ABCP has had no significant impact on the University's liquidity or cash needs. The University holds or has access to sufficient available cash and highly liquid investments to meet all of its obligations. The University's Endowment Pool had no exposure to ABCP investments.

Note 6 Other Long-term Assets

	2008	2007
Receivable from Alberta Heritage Foundation for Medical Research (1)	$ 11,456	$ 12,000
Capital lease receivable (2)	15,244	15,421
Other long-term assets (3)	6,386	13,680
Patents (4)	1,516	1,418
	34,602	42,519
Current portion in Accounts Receivable	(13,230)	(10,177)
Balance, end of year	$ 21,372	$ 32,342

(1) Funds to be received to cover capital costs already incurred on specific projects.

(2) The University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease. The future minimum lease payments receivable for the next five fiscal years are as follows: 2009 - $1,356; 2010 to 2013 - $1,384 per year.

(thousands of dollars)

Note 6 Other Long-term Assets (continued)

(3) Includes $5,771 (2007 - $13,000) due from the City of Calgary related to the disposition of real estate.

(4) The cost of patents is $2,623 (2007 - $2,564) and the accumulated amortization is $1,107 (2007 - $1,146). During the year patents with a net book value of $227 were written off (2007 - $35).

Note 7 Capital Assets and Collections

			2008			2007
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Buildings, plant and site improvements [2] & [3]	$ 1,106,144	$ 465,144	$ 641,000	$ 981,093	$ 435,750	$ 545,343
Furnishings, equipment and systems [1]	458,265	341,661	116,604	439,040	314,741	124,299
Library books	156,709	116,593	40,116	147,584	109,947	37,637
Software	59,846	49,537	10,309	58,341	41,172	17,169
Land	14,058	-	14,058	14,058	-	14,058
Art collection	8,056	-	8,056	7,707	-	7,707
Rare books and archives collection	3,807	-	3,807	3,477	-	3,477
Balance, end of year	$ 1,806,885	$ 972,935	$ 833,950	$ 1,651,300	$ 901,610	$ 749,690

(1) Capital Leases

Included in furnishings, equipment and systems are assets under capital leases in the amount of $855 (2007 - $295). Accumulated amortization is $66 (2007 – $258) on these assets.

(2) Construction in progress

Included in buildings, plant and site improvements is $97,743 (2007 - $75,882) recorded as construction work in progress, which is not amortized as the assets are not yet available for use.

(3) Donated Assets

Capital acquisitions during the year included donations-in-kind in the amount of $2,242 (2007 - $4,347).

Note 8 Conditional Asset Retirement Obligation

The University had identified multiple buildings that contain asbestos and plans are underway to remediate the asbestos upon the renovation or redevelopment of selected buildings. The asset retirement obligation represents the legal obligations associated with the removal of asbestos during planned renovations at the University.

The following is a reconciliation of the aggregate asset retirement obligations:

	2008	2007
Beginning of year	$ -	$ -
Additional asset retirement obligations	2,960	-
Liabilities settled	-	-
End of Year (note 11)	$ 2,960	$ -

(thousands of dollars)

Note 8 Conditional Asset Retirement Obligation (continued)

The carrying amount of the asset retirement obligation approximates the estimated cash flows required to settle the obligation. The obligation remains undiscounted because the entire amount is expected to be settled within one year. Accordingly fair value approximates carrying value.

The University has also identified other asset retirement obligations for which the fair value cannot be reasonably estimated due to the indeterminate timing and scope of the removal. The asset retirement obligation for these assets will be recorded in the period in which there is sufficient information to estimate fair value.

Note 9 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2008		2007	
	Research & Other[1]	Capital	Research & Other[1]	Capital
Contributions received during the year:				
Government of Alberta grants	$ 104,956	$ 137,100	$ 80,903	$ 87,000
Other government grants	100,303	-	108,060	-
Sales of services and products	2,146	4	2,220	-
Donations & other grants	101,065	1,430	71,725	-
Investment income	3,207	722	14,966	347
	311,677	139,256	277,874	87,347
Less: transferred to revenue:				
Government of Alberta grants	62,654	-	58,967	3,021
Other government grants	79,603	-	89,935	-
Sales of services and products	2,137	-	2,216	-
Donations & other grants	68,098	(22)	60,225	-
Investment income	3,207	-	11,584	347
	215,699	(22)	222,927	3,368
Net change in accounts receivable	(7,858)	-	946	-
Transferred to unamortized deferred capital contributions (note 10)	(47,779)	(78,892)	(42,500)	(40,128)
Transferred to investment in capital assets	(30)	(504)	(10)	(393)
Transferred from restricted accounts	-	-	(8)	-
Increase during the year	40,311	59,882	13,375	43,458
Balance, beginning of year	248,439	60,774	235,064	17,316
Balance, end of year	$ 288,750	$ 120,656	$ 248,439	$ 60,774

(1) Includes research grants expended for capital and other purposes.

(thousands of dollars)

Note 6 Other Long-term Assets (continued)

(3) Includes $5,771 (2007 - $13,000) due from the City of Calgary related to the disposition of real estate.

(4) The cost of patents is $2,623 (2007 - $2,564) and the accumulated amortization is $1,107 (2007 - $1,146). During the year patents with a net book value of $227 were written off (2007 - $35).

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Furnishings, equipment and systems [(1)]	458,265	341,661	116,604	439,040	314,741	124,299
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Art collection	8,056	-	8,056	7,707	-	7,707
Rare books and archives collection	3,807	-	3,807	3,477	-	3,477
Balance, end of year	$ 1,806,885	$ 972,935	$ 833,950	$ 1,651,300	$ 901,610	$ 749,690

(1) Capital Leases

Included in furnishings, equipment and systems are assets under capital leases in the amount of $855 (2007 - $295). Accumulated amortization is $66 (2007 – $258) on these assets.

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Included in buildings, plant and site improvements is $97,743 (2007 - $75,882) recorded as construction work in progress, which is not amortized as the assets are not yet available for use.

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The following is a reconciliation of the aggregate asset retirement obligations:

	2008	2007
Beginning of year	$ -	$ -
Additional asset retirement obligations	2,960	-
Liabilities settled	-	-
End of Year (note 11)	$ 2,960	$ -

(thousands of dollars)

Note 8 Conditional Asset Retirement Obligation (continued)

The carrying amount of the asset retirement obligation approximates the estimated cash flows required to settle the obligation. The obligation remains undiscounted because the entire amount is expected to be settled within one year. Accordingly fair value approximates carrying value.

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Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balance are as follows:

	2008		2007	
	Research & Other(1)	Capital	Research & Other(1)	Capital
Contributions received during the year:				
Government of Alberta grants	$ 104,956	$ 137,100	$ 80,903	$ 87,000
Other government grants	100,303	-	108,060	-
Sales of services and products	2,146	4	2,220	-
Donations & other grants	101,065	1,430	71,725	-
Investment income	3,207	722	14,966	347
	311,677	139,256	277,874	87,347
Less: transferred to revenue:				
Government of Alberta grants	62,654	-	58,967	3,021
Other government grants	79,603	-	89,935	-
Sales of services and products	2,137	-	2,216	-
Donations & other grants	68,098	(22)	60,225	-
Investment income	3,207	-	11,584	347
	215,699	(22)	222,927	3,368
Net change in accounts receivable	(7,858)	-	946	-
Transferred to unamortized deferred capital contributions (note 10)	(47,779)	(78,892)	(42,500)	(40,128)
Transferred to investment in capital assets	(30)	(504)	(10)	(393)
Transferred from restricted accounts	-	-	(8)	-
Increase during the year	40,311	59,882	13,375	43,458
Balance, beginning of year	248,439	60,774	235,064	17,316
Balance, end of year	$ 288,750	$ 120,656	$ 248,439	$ 60,774

(1) Includes research grants expended for capital and other purposes.

(thousands of dollars)

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Transfer from Deferred Contributions research & other (note 9)	$ 47,779	$ 42,500
Transfer from Deferred Contributions Capital (note 9)	78,892	40,128
Amortized to revenue	(48,951)	(47,516)
Increase during the year	77,720	35,112
Balance, beginning of year	510,559	475,447
Adoption of new financial instruments accounting policy (note 3)	(897)	-
Balance, end of year (note 14)	$ 587,382	$ 510,559

Note 11 Long-term Liabilities

	Rate of Interest	Original Advance	2008	2007
* Debenture for Cascade Hall, due May 1, 2025	6.250%	$ 16,500	$ 14,045	$ 14,463
* Debenture for Human Performance Lab, due March 16, 2011	4.390%	4,100	2,564	3,349
Mortgage for University Research Centre, due April 1, 2012	0.000%	5,500	2,292	2,842
Financing for Administrative Renewal project, due June 30, 2007	3.003%	3,657	-	399
Mortgage for the Dining Centre, Kananaskis and Rundle Halls, due March 1, 2016	5.125%	2,165	776	854
* Debenture for Health Research Innovation Centre Parkade, due April 13, 2031	4.935%	5,950	5,760	5,888
* Debenture for Child Development Centre Parkade, due June 15, 2032	5.249%	1,950	1,931	-
* Debenture for International House Residence, due Sept 17, 2032[1]	4.689%	8,900	8,900	-
			36,268	27,795
Due to Alberta Heritage Foundation for Medical Research			220	220
Due to Western Economic Diversification Canada			-	660
Due to AVAC Ltd.			-	226
Minority interest in subsidiary companies			54	24
Obligation under capital leases			855	295
Long-term disability plans (note 12)			325	300
Early retirement incentive plans (note 12)			9	63
Supplemental pension obligations (note 12)			1,831	1,324
Asset Retirement Obligation (note 8)			2,960	-
			6,254	3,112
Current portion of long-term liabilities			(5,551)	(2,886)
Balance, end of year			$ 36,971	$ 28,021

* Indicates payable to Alberta Capital Finance Authority which is a related party.

(thousands of dollars)

Note 10 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

		2008		2007
Transfer from Deferred Contributions research & other (note 9)	$	**47,779**	$	42,500
Transfer from Deferred Contributions Capital (note 9)		**78,892**		40,128
Amortized to revenue		**(48,951)**		(47,516)
Increase during the year		**77,720**		35,112
Balance, beginning of year		**510,559**		475,447
Adoption of new financial instruments accounting policy (note 3)		**(897)**		-
Balance, end of year (note 14)	$	**587,382**	$	510,559

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*	Debenture for Child Development Centre Parkade, due June 15, 2032	5.249%	1,950	**1,931**	-
*	Debenture for International House Residence, due Sept 17, 2032[1]	4.689%	8,900	**8,900**	-
				36,268	27,795
	Due to Alberta Heritage Foundation for Medical Research			**220**	220
	Due to Western Economic Diversification Canada			-	660
	Due to AVAC Ltd.			-	226
	Minority interest in subsidiary companies			**54**	24
	Obligation under capital leases			**855**	295
	Long-term disability plans (note 12)			**325**	300
	Early retirement incentive plans (note 12)			**9**	63
	Supplemental pension obligations (note 12)			**1,831**	1,324
	Asset Retirement Obligation (note 8)			**2,960**	-
				6,254	3,112
	Current portion of long-term liabilities			**(5,551)**	(2,886)
	Balance, end of year			$ **36,971**	$ 28,021

* Indicates payable to Alberta Capital Finance Authority which is a related party.

Note 11 Long-term Liabilities (continued)

The debentures and mortgages are secured by land and buildings and are carried at their amortized value. The estimated fair market value for debentures and mortgages as at March 31, 2008 is $40,776 (2007 - $30,838). The fair market value of long-term debt is determined by discounting future cash flows using market rates representing rates that the University could obtain at March 31, 2008 for loans with similar terms, conditions and maturities.

During the year, interest on long-term debt amounting to $1,418 (2007 - $1,597) has been charged to expense.

Principal payments on the debentures and mortgages during the next five fiscal years are as follows: 2009 - $ 2,068; 2010 - $ 2,359; 2011 - $ 2,450; 2012 - $1,615; 2013 - $1,216.

The future minimum lease payments under capital leases are as follows: 2009 - $220; 2010 - $237; 2011 - $397; 2012 – 2013 - $NIL (net of an average interest rate of 11.73%)

(1) The University will continue to draw against this debenture as construction of the International House Residence proceeds. The University is authorized to draw against this debenture up to the amount of $25,600.

(thousands of dollars)

Note 12 Future Employee Benefits

The University has defined benefit plans that provide future employment benefits, which include long-term disability leave plans, early retirement incentive plans and supplemental pension obligations. The early retirement plans were available to employees from 1992 to 1998. Information about the University's defined benefit plans is as follows:

	2008			2007		
	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation	Long-term Disability	Early Retirement Incentive	Supplemental Pension Obligation
Development of Expense						
Current service cost	$ -	$ -	$ 304	$ -	$ -	$ 183
Interest cost	37	1	88	39	7	65
Amortization of net actuarial losses (gains)	(74)	(1)	30	(16)	(5)	-
Amortization of past service cost	151	-	176	87	-	49
Curtailment	-	-	-	-	-	79
Settlement Loss	-	-	-	-	-	20
Expense	114	-	598	110	2	396
Financial Status						
Plan assets	-	-	-	-	-	-
Accrued Benefit Obligation	1,050	9	2,297	858	63	1,595
Funded status - plan deficit	(1,050)	(9)	(2,297)	(858)	(63)	(1,595)
Unamortized net actuarial (gains) losses	(890)	-	466	(648)	-	271
Unamortized past service costs	1,615	-	-	1,206	-	-
Accrued benefit liability (note 11) (1)	(325)	(9)	(1,831)	(300)	(63)	(1,324)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	858	63	1,595	864	226	1,004
Current service cost	-	-	304	-	-	183
Interest cost	37	1	88	39	7	65
Benefits paid	(89)	(54)	(91)	(91)	(165)	(26)
Actuarial (gain) loss	(316)	(1)	242	(462)	(5)	221
Past service cost	560	-	176	508	-	49
Settlement loss	-	-	-	-	-	20
Curtailment loss	-	-	(17)	-	-	79
Accrued Benefit Obligation, end of year	$ 1,050	$ 9	$ 2,297	$ 858	$ 63	$ 1,595

(1) The accrued benefit liability for these benefit plans is included in long-term liabilities. The University plans to use its working capital to finance future obligations under these plans.

(thousands of dollars)

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	2008			2007		
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Curtailment	-	-	-	-	-	79
Settlement Loss	-	-	-	-	-	20
Expense	114	-	598	110	2	396
Financial Status						
Plan assets	-	-	-	-	-	-
Accrued Benefit Obligation	1,050	9	2,297	858	63	1,595
Funded status - plan deficit	(1,050)	(9)	(2,297)	(858)	(63)	(1,595)
Unamortized net actuarial (gains) losses	(890)	-	466	(648)	-	271
Unamortized past service costs	1,615	-	-	1,206	-	-
Accrued benefit liability (note 11) [(1)]	(325)	(9)	(1,831)	(300)	(63)	(1,324)
Reconciliation of Accrued Benefit Obligation						
Accrued Benefit Obligation, beginning of year	858	63	1,595	864	226	1,004
Current service cost	-	-	304	-	-	183
Interest cost	37	1	88	39	7	65
Benefits paid	(89)	(54)	(91)	(91)	(165)	(26)
Actuarial (gain) loss	(316)	(1)	242	(462)	(5)	221
Past service cost	560	-	176	508	-	49
Settlement loss	-	-	-	-	-	20
Curtailment loss	-	-	(17)	-	-	79
Accrued Benefit Obligation, end of year	$ 1,050	$ 9	$ 2,297	$ 858	$ 63	$ 1,595

(1) The accrued benefit liability for these benefit plans is included in long-term liabilities. The University plans to use its working capital to finance future obligations under these plans.

(thousands of dollars)

Note 12 Future Employee Benefits (continued)

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	Long-term Disability		Early Retirement Incentive		Supplemental Pension Obligation	
	2008	2007	2008	2007	2008	2007
Accrued benefit obligation as of March 31:						
Discount Rate	4.00%	4.50%	4.00%	4.50%	4% per year for 10 years; 5% thereafter	4.85%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%
Benefit costs for years ended March 31:						
Discount rate	4.00%	4.50%	4.00%	4.50%	4.85%	4.85%
Average compensation increase	n/a	n/a	n/a	n/a	4%	4%

Assumed health care cost trend rates at March 31:	2008	2007
Dental costs	3%	3%
Extended health care costs	8.5%	8.5%
Alberta health care costs	3%	3%

The University participates with other employers in the Universities Academic Pension Plan (UAPP) and the Public Service Pension Plan (PSPP). These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. The pension expense recorded in these financial statements is equivalent to the University's actuarially determined contributions of $30,319 for the year ended March 31, 2008 (2007 - $26,960).

The PSPP is a contributory defined benefit pension plan for support staff members. At December 31, 2007, the PSPP reported an actuarial deficit of $92,070 (2006 – surplus of $153,024). An actuarial valuation of the PSPP was carried out as at December 31, 2005 and was then extrapolated to December 31, 2007.

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2007, the UAPP reported an actuarial funding deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency ($501,300) and a post 1991-deficiency ($34,543). This actuarial funding deficiency has been calculated using the funding assumptions defined by the UAPP Board. The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2006 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 2.64% (2006 – 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

Changes are being contemplated for the UAPP which may substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however they could have a material effect on the University's future financial statements. Under GAAP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: *Pension Plans*. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: *Employee Future Benefits*.

(thousands of dollars)

Note 12 Future Employee Benefits (continued)

The estimated unfunded deficiency calculated using the CICA 3461 methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008.The University estimated its share of the deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $130 million.

Note 13 Net Assets Restricted for Endowment Purposes

Endowments consist of:

- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted)
- Internal allocations by the Board of Governors (internally restricted).

The investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

	2008			2007		
	External	Internal	Total	External	Internal	Total
Contributions received during the year	$ 20,670	$ 3,603	$ 24,273	$ 30,793	$ 4,615	$ 35,408
Board approved transfers	544	-	544	(56)	2,427	2,371
Endowment spending allocation including fees	(13,353)	(3,028)	(16,381)	(10,540)	(2,789)	(13,329)
Investment (loss) income	(15,469)	(3,395)	(18,864)	44,422	4,175	48,597
(Decrease) Increase during the year	(7,608)	(2,820)	(10,428)	64,619	8,428	73,047
Balance, beginning of year	368,541	68,634	437,175	303,922	60,206	364,128
Adoption of new financial instruments accounting policy (note 3)	(717)	-	(717)	-	-	-
Balance, end of year	$ 360,216	$ 65,814	$ 426,030	$ 368,541	$ 68,634	$ 437,175
Cumulative contributions	232,660	40,489	273,149	211,446	36,886	248,332
Cumulative capitalized earnings	127,556	25,325	152,881	157,095	31,748	188,843
Balance, end of year	$ 360,216	$ 65,814	$ 426,030	$ 368,541	$ 68,634	$ 437,175

(thousands of dollars)

Note 13 Net Assets Restricted for Endowment Purposes (continued)

During the 2008 year, cumulative capitalized income of $28,822 was required to cover the investment loss on externally restricted endowments of $15,469 and the approved endowment spending allocation of $13,353. During the 2007 year, the University capitalized $33,882 of income related to externally restricted endowments.

Note 14 Net Assets Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

		2008		2007
Capital assets and collections, at cost	$	**1,806,885**	$	1,651,300
Accumulated amortization		**(972,935)**		(901,610)
Patents, at cost		**2,623**		2,564
Accumulated amortization of patents		**(1,107)**		(1,146)
Net book value		**835,466**		751,108
Less amounts financed by:				
Unamortized deferred capital contributions (note 10)		**(587,382)**		(510,559)
Long-term debt		**(36,420)**		(26,359)
Balance, end of year	$	**211,664**	$	214,190

Note 15 Net Assets Internally Restricted

Internally restricted net assets represent amounts set aside by the University's Board of Governors for specific purposes. These amounts are not available for other purposes without the approval of the Board. At March 31, 2008, net assets have been set aside for the following purposes:

		2008		2007
Subsidiaries	$	**1,439**	$	1,408
Indirect Research Support		**729**		900
Internally Restricted for Future Commitments and Strategic Reinvestments		**20,404**		21,581
Faculty and Departmental		**3,692**		2,438
Balance, end of year	$	**26,264**	$	26,327

Note 16 Investment Income

		2008		2007
(Loss) Gain on externally restricted endowments	$	**(15,469)**	$	44,682
(Loss) Gain on internally restricted endowments		**(3,395)**		6,721
Gain on non-endowed investments		**18,235**		10,732
(Loss) on write-down of Asset Backed Commercial Paper (note 5)		**(16,822)**		-
		(17,451)		62,135
Amounts deferred in current year		**(722)**		(3,382)
Endowment income capitalized (note 13)		**-**		(33,882)
Loss charged to externally restricted cumulative capitalized endowment earnings (note 13)		**15,469**		-
Total investment (loss) income recognized as revenue	$	**(2,704)**	$	24,871

(thousands of dollars)

Note 12 Future Employee Benefits (continued)

The estimated unfunded deficiency calculated using the CICA 3461 methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008.The University estimated its share of the deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $130 million.

Note 13 Net Assets Restricted for Endowment Purposes

Endowments consist of:

- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted)
- Internal allocations by the Board of Governors (internally restricted).

The investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. The economic value of the endowments are protected by limiting the amount of investment income that may be spent to 5% of the 4 year rolling market average of the principal donation, except as otherwise stipulated by the donor. Investment income earned in excess of this amount is added to the endowment principal.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

In any year, if the investment income earned on endowments is insufficient to fund the spending allocation, or should the investment return be negative, the spending allocation is funded from the cumulative capitalized earnings. However, for individual endowment funds without sufficient cumulative capitalized earnings, endowment capital is used in the current year. This amount is expected to be recovered by future investment income.

			2008			2007
	External	Internal	Total	External	Internal	Total
Contributions received during the year	$ 20,670	$ 3,603	$ 24,273	$ 30,793	$ 4,615	$ 35,408
Board approved transfers	544	-	544	(56)	2,427	2,371
Endowment spending allocation including fees	(13,353)	(3,028)	(16,381)	(10,540)	(2,789)	(13,329)
Investment (loss) income	(15,469)	(3,395)	(18,864)	44,422	4,175	48,597
(Decrease) Increase during the year	(7,608)	(2,820)	(10,428)	64,619	8,428	73,047
Balance, beginning of year	368,541	68,634	437,175	303,922	60,206	364,128
Adoption of new financial instruments accounting policy (note 3)	(717)	-	(717)	-	-	-
Balance, end of year	$ 360,216	$ 65,814	$ 426,030	$ 368,541	$ 68,634	$ 437,175
Cumulative contributions	232,660	40,489	273,149	211,446	36,886	248,332
Cumulative capitalized earnings	127,556	25,325	152,881	157,095	31,748	188,843
Balance, end of year	$ 360,216	$ 65,814	$ 426,030	$ 368,541	$ 68,634	$ 437,175

(thousands of dollars)

Note 13 Net Assets Restricted for Endowment Purposes (continued)

During the 2008 year, cumulative capitalized income of $28,822 was required to cover the investment loss on externally restricted endowments of $15,469 and the approved endowment spending allocation of $13,353. During the 2007 year, the University capitalized $33,882 of income related to externally restricted endowments.

Note 14 Net Assets Investment in Capital Assets and Collections

Net assets invested in capital assets and collections represent the carrying amount (net book value) of capital assets and collections less unamortized deferred capital contributions and any related debt.

	2008	2007
Capital assets and collections, at cost	$ 1,806,885	$ 1,651,300
Accumulated amortization	(972,935)	(901,610)
Patents, at cost	2,623	2,564
Accumulated amortization of patents	(1,107)	(1,146)
Net book value	835,466	751,108
Less amounts financed by:		
Unamortized deferred capital contributions (note 10)	(587,382)	(510,559)
Long-term debt	(36,420)	(26,359)
Balance, end of year	$ 211,664	$ 214,190

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	2008	2007
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Balance, end of year	$ 26,264	$ 26,327

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Gain on non-endowed investments	18,235	10,732
(Loss) on write-down of Asset Backed Commercial Paper (note 5)	(16,822)	-
	(17,451)	62,135
Amounts deferred in current year	(722)	(3,382)
Endowment income capitalized (note 13)	-	(33,882)
Loss charged to externally restricted cumulative capitalized endowment earnings (note 13)	15,469	-
Total Investment (loss) income recognized as revenue	$ (2,704)	$ 24,871

(thousands of dollars)

Note 17 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive 04/2007, the salaries and benefits of the University's senior decision management group are disclosed as follows:

	2008				2007
	Base Salary [1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Governance [4]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	377	-	180	557	482
Vice-Presidents:					
Provost and Academic [5]	271	5	58	334	524
Finance and Services	254	53	78	385	288
Research and International [6]	256	-	74	330	227
External Relations	249	-	79	328	274
Development[7]	249	43	64	356	360
Total	$ 1,656	$ 101	$ 533	$ 2,290	$ 2,155

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, honorariums, and lump sum payments.

(3) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, professional expense allowance and the employer's current and prior service cost of the unfunded supplementary retirement plan as per note (6) below. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(4) The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(5) A new Provost and Vice-President (Academic) commenced in July 2006. Compensation amounts disclosed in the comparative include a payment of a $67 retirement allowance and an accrued Supplemental Pension Plan Expense of $115, which relate to the retired Provost and Vice-President (Academic).

(6) The Vice President (Research and International) term ended in June 2007. Compensation amounts relating to the stub three month term of the ex-Vice-President (Research and International) include $46 in base salary and $12 in other non-cash benefits. A new Vice-President (Research and International) commenced in July 2007.

(7) During the year, a new position for Vice-President (Development) was appointed. Accordingly, salaries and benefits for the new Vice-President (Development) have been disclosed. A comparative has been presented for the non-appointed term.

Note 17 Salaries and Benefits (continued)

(8) Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method prorated on services, a market interest rate and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses in excess of 10% of the benefit obligation are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Supplementary Retirement Benefits (in thousands)

			2008	2007
	Current Service Cost	Prior Service and Other Costs	Total	Total
Governance				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Executive				
President	62	27	89	58
Vice-Presidents:				
Provost and Academic	33	3	36	139
Finance and Services	40	28	68	34
Research and International (1)	37	3	40	17
External Relations	28	9	37	21
Development	28	5	33	77
Total	$ 228	$ 75	$ 303	$ 346

(1) Includes pension expense for both current and retired Vice-President (Research and International).

(thousands of dollars)

Note 17 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive 04/2007, the salaries and benefits of the University's senior decision management group are disclosed as follows:

	2008				2007
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Governance [4]					
Chair of the Board of Governors	$ -	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-	-
Executive					
President	377	-	180	557	482
Vice-Presidents:					
Provost and Academic [5]	271	5	58	334	524
Finance and Services	254	53	78	385	288
Research and International [6]	256	-	74	330	227
External Relations	249	-	79	328	274
Development [7]	249	43	64	356	360
Total	$ 1,656	$ 101	$ 533	$ 2,290	$ 2,155

(1) Base salary includes regular base pay.

(2) Other cash benefits include bonuses, honorariums, and lump sum payments.

(3) Other non-cash benefits include the University's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, workers compensation, professional expense allowance and the employer's current and prior service cost of the unfunded supplementary retirement plan as per note (6) below. Benefits reported for the President include a housing allowance. Benefits reported for the President and Vice-Presidents include car allowances or the taxable benefit for the use of University leased vehicles.

(4) The Board of Governors governs the University. Members are either appointed or serve in an ex-officio capacity. They may be employed by the University, but do not receive remuneration for their participation on the Board.

(5) A new Provost and Vice-President (Academic) commenced in July 2006. Compensation amounts disclosed in the comparative include a payment of a $67 retirement allowance and an accrued Supplemental Pension Plan Expense of $115, which relate to the retired Provost and Vice-President (Academic).

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(7) During the year, a new position for Vice-President (Development) was appointed. Accordingly, salaries and benefits for the new Vice-President (Development) have been disclosed. A comparative has been presented for the non-appointed term.

Note 17 Salaries and Benefits (continued)

(8) Under the terms of the supplementary retirement plan (SRP), executive officers may receive supplemental retirement payments. Retirement arrangement costs as detailed below are not cash payments in the period but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. SRP provides future pension benefits to participants based on years of service and earnings. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate and management's best estimate of expected costs and the period of benefit coverage. Net actuarial gains and losses in excess of 10% of the benefit obligation are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

Supplementary Retirement Benefits (in thousands)

			2008	2007
	Current Service Cost	Prior Service and Other Costs	Total	Total
Governance				
Chair of the Board of Governors	$ -	$ -	$ -	$ -
Members of the Board of Governors	-	-	-	-
Executive				
President	62	27	89	58
Vice-Presidents:				
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Finance and Services	40	28	68	34
Research and International [1]	37	3	40	17
External Relations	28	9	37	21
Development	28	5	33	77
Total	$ 228	$ 75	$ 303	$ 346

(1) Includes pension expense for both current and retired Vice-President (Research and International).

(thousands of dollars)

Note 17 Salaries and Benefits (continued)

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2007	Changes in accrued obligation	Accrued obligation March 31, 2008
Governance			
Chair of the Board of Governors	$ -	$ -	$ -
Members of the Board of Governors	-	-	-
Executive			
President	346	176	522
Vice-Presidents:			
Provost and Academic	25	52	77
Finance and Services	149	66	215
Research and International [1]	83	(49)	34
External Relations	121	92	213
Development	77	76	153
Total	$ 801	$ 413	$ 1,214

1) The opening accrued pension obligation includes the retired Vice-President (Research and International). The closing accrued pension obligation only includes the new Vice-President (Research and International). The change in accrued obligation reflects the transition from the retired to the new Vice-President (Research and International).

Note 18 Budget Comparison

The University's 2007-08 budget was approved by the Board of Governors on April 20, 2007.

	2008 Budget	2008 Actual	2007 Budget	2007 Actual
REVENUE				
Government of Alberta grants & Other government grants	$ 520,085	$ 494,273	$ 463,911	$ 456,721
Donations and other grants	76,157	75,878	73,242	78,802
Credit tuition and related fees	125,863	123,360	121,822	121,716
Non-credit tuition and related fees	16,880	15,608	15,272	15,775
Sales of services and products	74,468	82,090	72,489	81,507
Amortization of deferred capital contributions	49,370	48,951	39,269	47,516
Investment income	21,820	(2,704)	20,467	24,871
	884,643	837,456	806,472	826,908
EXPENSE				
Salaries & Benefits	557,781	522,702	515,980	474,399
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	179,255	194,792	156,979	197,561
Amortization of capital assets	77,449	80,142	65,330	73,255
Utilities	26,714	27,707	24,675	24,495
Scholarships, grants and awards	41,759	45,073	41,066	41,969
Financing	3,052	1,433	3,192	1,597
	886,010	871,849	807,222	813,276
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE	$ (1,367)	$ (34,393)	$ (750)	$ 13,632

(thousands of dollars)

Note 17 Salaries and Benefits (continued)

The accrued obligation for each executive under the SRP is outlined in the following table:

	Accrued obligation March 31, 2007	Changes in accrued obligation	Accrued obligation March 31, 2008
Governance			
Chair of the Board of Governors	$ -	$ -	$ -
Members of the Board of Governors	-	-	-
Executive			
President	346	176	522
Vice-Presidents:			
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External Relations	121	92	213
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Total	$ 801	$ 413	$ 1,214

1) The opening accrued pension obligation includes the retired Vice-President (Research and International). The closing accrued pension obligation only includes the new Vice-President (Research and International). The change in accrued obligation reflects the transition from the retired to the new Vice-President (Research and International).

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Sales of services and products	74,468	82,090	72,489	81,507
Amortization of deferred capital contributions	49,370	48,951	39,269	47,516
Investment income	21,820	(2,704)	20,467	24,871
	884,643	837,456	806,472	826,908
EXPENSE				
Salaries & Benefits	557,781	522,702	515,980	474,399
Materials, supplies & services, travel, cost of goods sold, maintenance & repairs	179,255	194,792	156,979	197,561
Amortization of capital assets	77,449	80,142	65,330	73,255
Utilities	26,714	27,707	24,675	24,495
Scholarships, grants and awards	41,759	45,073	41,066	41,969
Financing	3,052	1,433	3,192	1,597
	886,010	871,849	807,222	813,276
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSE	$ (1,367)	$ (34,393)	$ (750)	$ 13,632

Note 19 Pledges

Outstanding pledges at March 31, 2008 are $120,821 (2007 - $109,953) and have not been recorded as accounts receivable. These pledges are expected to be honoured over the next several years.

Note 20 Commitments and Contingencies

a) As at March 31, 2008 the University has contractual commitments of $52,705 (2007 - $41,634) for capital projects.

b) The University is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be reasonably estimated at this time, it is the opinion of the University and its legal counsel that the resolution of these claims will not have a material effect on the financial position or the results of operations of the University. Any loss that may result from these proceedings will be accounted for in the period in which the settlement occurs. Administration has concluded that none of the claims meet the criteria for being recorded under Generally Accepted Accounting Principles.

c) The University is one of the members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risk of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through the members' premiums. As at December 31, 2007 CURIE had a surplus of $16,825 (2006 - $16,507) of which the University's pro-rata share is approximately 5.94% (2006 – 6.13%) on an ongoing basis.

d) The University's commitments for operating leases for the next five years are as follows: 2009 - $1,045; 2010 - $918; 2011 - $614; 2012 - $378; 2013 - $140.

e) In order to manage its exposure to the volatility in the electrical industry, the Board of Governors entered into a five year contract with Enmax effective January 1, 2007. The basis of the contract is a floating hourly market price with the option to hedge any portion of the electrical load in the future. Subsequently the University has established a 3-year fixed price arrange with Enmax Energy effective April 1, 2008. Using best estimates of future consumption levels, the costs incurred (including wires transportation) are as follows: 2009 - $14,250; 2010 - $14,500; 2011 - $14,750; remainder (April 1, 2011 to December 31, 2011) - $7,900.

f) The University has a contract for natural gas with Direct Energy Business Services. The contract is an Energy Purchase Agreement based on an index (floating on the spot market) price with an option to hedge any portion of the requirement at any time. Using best estimates of future consumption levels and future gas pricing, the value of the contract for the commodity and transportation is approximately $8.5M per annum. The contract expires October 31, 2008.

g) As at March 31, 2008 the University has entered into employment contracts that include commitments by the University to provide or guarantee housing loans in the amount of $3,930 (2007 - $1,300).

(thousands of dollars)

Note 21 Related Party Transactions

(a) The University is a Provincial Corporation as all the members of the Board of Governors are appointed by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the University and the Province of Alberta are summarized as follows:

	2008	2007
Alberta Advanced Education and Technology:		
Operating grant	$ 301,353	$ 275,478
Access grants	37,698	20,993
Miscellaneous grants	12,321	16,092
Performance funding	2,852	720
Capital grants	166,923	100,911
Total Alberta Advanced Education and Technology grants	521,147	414,194
Other provincial departments and agencies	64,068	56,973
Total Government of Alberta grants received	585,215	471,167
Provincial grants deferred	(179,403)	(105,914)
Earned Government of Alberta grants	$ 405,812	$ 365,253

The University has accounts receivable from the Province of Alberta of $32,396 (2007 - $21,060), accounts payable of $1,707 (2007 - $242) and long-term liabilities of $33,200 (2007 - $23,699). The Province of Alberta has provided $7,400 (2007 - $10,000) in matching grants for externally restricted endowment contributions, which is included in endowment net assets.

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows:

	2008	2007
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to utilities; salaries and benefits; and, materials, supplies and overheads. Expenditures incurred:	$ 17,922	$ 13,813
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to physicians; research projects, studies and grants; programs; and, support services. Revenues included in income:	37,712	27,717
Net receivable to the University of Calgary by the Calgary Health Region:	$ 12,019	$ 6,882

The University has entered into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The University also leases land to the Region for a parkade at the Foothills Medical Centre. Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease.

At March 31, 2008, the carrying value of the lease receivable is $15,244 (2007 – $15,421). During the year the University received $1,318 in lease payments (2007 – $1,318), $1,141 of which was recognized as interest income (2007 – $1,153).

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. During the year, the University received grants from the Foundation totaling $1,160 (2007 - $140). At March 31, 2008 the University was holding cash and investments of $2,880 in trust for the Foundation (2007 - $3,391).

(thousands of dollars)

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Earned Government of Alberta grants	$ 405,812	$ 365,253

The University has accounts receivable from the Province of Alberta of $32,396 (2007 - $21,060), accounts payable of $1,707 (2007 - $242) and long-term liabilities of $33,200 (2007 - $23,699). The Province of Alberta has provided $7,400 (2007 - $10,000) in matching grants for externally restricted endowment contributions, which is included in endowment net assets.

(b) The Calgary Health Region and the Province of Alberta are related parties as the Region's board is appointed by the Minister of Health and Wellness. As the University and the Province of Alberta are related parties, the Calgary Health Region is a related party to the University. Transactions between the University and the Calgary Health Region are summarized as follows.

	2008	2007
The University of Calgary pays to the Calgary Health Region in the normal course of operations amounts related to utilities; salaries and benefits; and, materials, supplies and overheads. Expenditures incurred:	$ 17,922	$ 13,813
The University of Calgary receives from the Calgary Health Region in the normal course of operations amounts related to physicians; research projects, studies and grants; programs; and, support services. Revenues included in income:	37,712	27,717
Net receivable to the University of Calgary by the Calgary Health Region:	$ 12,019	$ 6,882

The University has entered into a lease agreement with the Region to lease 32 acres of land to the Region for the site of the new Alberta Children's Hospital. The University also leases land to the Region for a parkade at the Foothills Medical Centre. Effective September 2003 the University and the Calgary Health Region entered into a 25-year agreement for the Region to lease space in the University Research Centre Building. This lease has been accounted for as a capital lease.

At March 31, 2008, the carrying value of the lease receivable is $15,244 (2007 – $15,421). During the year the University received $1,318 in lease payments (2007 – $1,318), $1,141 of which was recognized as interest income (2007 – $1,153).

(c) The University of Calgary Foundation (1999) is a private foundation, which operates to receive gifts and donations and to periodically provide grants to the University. During the year, the University received grants from the Foundation totaling $1,160 (2007 - $140). At March 31, 2008 the University was holding cash and investments of $2,880 in trust for the Foundation (2007 - $3,391).

Note 21 Related Party Transactions (continued)

(d) The University of Calgary Medical Group (UCMG) is a not-for-profit organization that provides billing services to the members of UCMG in accordance with an Agency Agreement and a Member Agreement. These agreements govern the activities of the group such as billings, collections and accounting services. Effective January 1, 2001, a clinical service levy, based on percentages of individual member's medical revenue is paid to the University of Calgary.

(e) The McMahon Stadium Society is incorporated under the Societies Act as a not-for-profit organization. It operates to improve and manage the McMahon Stadium together with its facilities for sports, recreation and other useful purposes. The University of Calgary owns the stadium land and facilities and leases it to the society for one dollar a year. The current lease agreement expires April 30, 2010. During the year, the University of Calgary paid $94 (2007 - $86) to the McMahon Stadium Society for utilities and supplemental costs incurred as a result of the University's use of the facilities.

(f) In 2008 and 2007, the University participated in offering certain courses with other public colleges, universities, and institutes. The revenues and expenses incurred for these courses have been included in the consolidated statement of revenue, expenses and unrestricted net assets, but have not been separately quantified.

Note 22 Subsequent Event

On May 14, 2008, the Alberta Labour Relations Board released their decision ruling that all trust employees are direct employees of the University of Calgary. The financial impact of this decision, if any, is unknown.

Note 23 Comparative Figures

Certain 2007 figures have been reclassified to conform to the presentation adopted in the 2008 financial statements.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE ARCTIC INSTITUTE OF NORTH AMERICA
Financial Statements

For the year ended March 31, 2008

Auditor's Report

Financial Statements:

THE ARCTIC INSTITUTE OF NORTH AMERICA
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MARCH 31, 2008

Auditor's Report

To the Board of Governors of the University of Calgary

I have audited the statement of financial position of the Arctic Institute of North America as at March 31, 2008 and the statements of revenue and expense, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Institute's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Arctic Institute of North America as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
July 30, 2008

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2008

	2008	2007(restated)
ASSETS		
Current assets		
Due from University of Calgary	$ 744,141	$ 785,347
Petty cash	400	400
Accounts receivable	55,555	105,813
Inventory	11,048	12,102
Prepaid expenses	2,553	2,745
	813,697	906,407
Investments (Note 3)	1,050,878	1,216,597
Capital assets and collections (Note 4)	677,792	619,421
	$2,542,367	$2,742,425
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued charges	$ 77,686	$ 87,291
Deferred revenue	58,298	65,555
Deferred contributions (Note 5)	126,125	145,450
	262,109	298,296
Unamortized deferred capital contributions (Note 6)	118,476	112,747
Net assets		
Unrestricted net assets	1,125,446	1,338,370
Investment in capital assets and collections	559,316	506,674
Internally restricted net assets (Note 7)	54,537	95,033
Endowments (Note 8)	422,483	391,305
	2,161,782	2,331,382
	$2,542,367	$2,742,425

Signed on behalf of the Board

Chair of the Board

Executive Director

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF REVENUE AND EXPENSE
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
University of Calgary and Government grants	$450,377	$435,293
Sales of services and products	292,243	367,353
Donations and other grants	187,452	151,144
Investment (loss) income (Note 9)	(3,557)	127,041
Earned capital contributions	5,878	6,996
	932,393	1,087,827
Expense		
Salaries (Note 11)	746,999	632,969
Benefits (Note 11)	96,689	96,992
Materials	267,531	259,287
Grants, scholarships and awards	23,133	24,250
Amortization of capital assets	12,998	24,346
Travel and meeting	25,821	38,530
	1,173,171	1,076,374
(Deficiency)/Excess of revenue over expense	$ (240,778)	$ 11,453

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2008

	2008					2007
	Internally Restricted	Unrestricted	Investment in Capital Assets and Collections	Restricted for Endowment Purposes	Total	Total (as restated)
Net assets beginning of year (restated note 17)	$95,033	$1,338,370	$506,674	$391,305	$2,331,382	$2,310,931
Adjustment to deferred contributions				-	-	7,583
(Deficiency) / Excess of revenue over expense	-	(240,778)	-	-	(240,778)	11,453
Transfer from internally restricted	(40,496)	40,496	-	-	-	-
Contribution of art collection	-	-	40,000	-	40,000	-
Acquisition of internally funded capital assets	-	(19,762)	19,762	-	-	-
Amortization of internally funded capital assets	-	7,120	(7,120)	-	-	-
Contributions to endowment	-	-	-	31,178	31,178	1,415
Net assets end of year	$54,537	$1,125,446	$559,316	$422,483	$2,161,782	$2,331,382

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Cash provided from (used in):		
Operating activities:		
(Deficiency)/Excess of revenue over expense	($240,778)	$ 11,453
Items not affecting cash flow:		
Amortization of capital assets	12,998	24,346
Amortization of deferred capital contributions	(5,878)	(6,996)
Loss (gain) on non-endowed and internally restricted endowment investments	75,294	(20,391)
Net change in non-cash working capital	40,449	(14,417)
Cash applied to operating activities	(117,915)	(6,005)
Investing activities:		
Purchase of capital assets, net	(71,369)	(43,404)
Contribution of non-amortizable assets	40,000	-
Proceeds from (purchase of) long-term investments, net	65,293	(1,415)
Cash applied to investing activities	33,924	(44,819)
Financing activities:		
Endowment contributions	31,178	8,998
Capital contributions	11,607	39,891
Cash generated through financing activities	42,785	48,889
Decrease in cash and cash equivalents	(41,206)	(1,935)
Due from University of Calgary at beginning of year	785,347	787,282
Due from University of Calgary at end of year	$744,141	$785,347

Net change in non-cash working capital:		
Accounts receivable decrease (increase)	$ 50,258	$ (7,880)
Inventory decrease	1,054	2,230
Prepaid expenses decrease (increase)	192	(1,005)
Accounts payable decrease	(9,605)	(1,925)
Deferred revenue (decrease) increase	(7,257)	1,914
Deferred contributions increase (decrease) *	5,807	(7,751)
	$ 40,449	$(14,417)

* Adjusted for unrealized investment gains/losses

The accompanying notes and schedule are part of these financial statements.

THE ARCTIC INSTITUTE OF NORTH AMERICA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

Note 1 Authority and Purpose

The Arctic Institute of North America (the "Institute") operates under authority of an Act of the Federal Parliament (9 – 10 George VI, Chapter 45). Its objective is to initiate, encourage and support northern research and to advance the study of arctic conditions and problems.

Under a 1979 agreement between the Institute and the University of Calgary, the Institute vested its control and management with the University.

The Institute is a charitable organization and is exempt from payment of income tax under the Income Tax Act of Canada.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) General and use of estimates

The financial statements of the Institute have been prepared in accordance with Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates which may vary from actual results. Such estimates have been made using judgments determined by the Institute's administration. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting polices summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Revenue Recognition

Operating grants are recognized as revenue in the period receivable. If a portion of a grant relates to a future period, that portion is deferred and recognized in the subsequent period.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties. Any externally restricted contributions containing stipulations that the amounts should be retained as net assets or that the contributions should not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to be used to acquire non-amortizable property such as collections.

Externally restricted capital grants are recorded as deferred capital contributions until the amount is invested in capital assets. Amounts invested representing funded capital assets are then transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded. The related portion of amortization expense and the deferred capital contribution revenue are matched to indicate that the related amortization expense has been funded.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Amounts received for the sales of services and products are classified as unearned and recognized as revenue at the time the products are delivered or the services are substantially provided.

Endowment contributions are recognized as direct increases in net assets. Investment earnings and changes in market values from externally restricted endowments are deferred and recognized as revenue when the conditions of the endowment are met. Investment earnings from internally restricted endowments are recognized as investment income in the statement of operations when earned.

(c) Inventory

Inventory of publications held for resale is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out basis.

(d) Due from University of Calgary

Due from University of Calgary represents the Institute's cash held by the University of Calgary.

(e) Investments

Investments consist of units held in The University of Calgary pool of index funds. Cash and cash equivalents and investments are held in trust by the Institute's parent, The University of Calgary. Investments are recorded at market value. Market value is determined based on the current market price of the underlying asset. Changes in market value from one period to the next are included in the investment income (loss) for the period (Note 9). Such investment income (loss) is included in revenue in accordance with the revenue recognition policy (Note 2b).

(f) Capital Assets and Collections

Capital assets and collections are recorded at cost as acquired. Gifts of capital assets and collections in kind are capitalized at fair value when a fair value can be reasonably determined. Capital assets are amortized on a straight-line basis over the average useful lives of the capital assets which are:

Buildings	30 years
Leasehold improvements	Remaining term of lease
Furnishing and equipment	10 years
Vehicles	7 years
Other	5 years
Computer equipment	3 years

Collections are not amortized and include that portion of library assets considered to have permanent value and works of art, carvings, historic films, sound records and tape recordings which are held for educational and public exhibition purposes. If sold, collections are removed from the accounts at their book value and any proceeds from their sale are used to acquire other items to be added to the collections. Construction in progress is not amortized until construction is substantially complete and assets are ready for productive use.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

(g) Employee Future Benefits

The Institute participates in the University Academic and the Public Service Pension Plans. These pension plans are multi-employer defined benefit pension plans that provide pensions for the Institute's participating employees, based on years of service and earnings.

Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates which are expected to provide for benefits payable under the respective pension plan. The Institute's portion of the pension plans' deficit or surplus is not recorded by the Institute.

(h) Credit, Interest Rate and Market Risk

The Institute's accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

The interest rate risk is the risk to the Institute's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

The market risk is the risk to the Institute's earnings that arises from the fluctuations in interest rates and the degree of volatility of these rates.

(i) Financial Instruments

On April 1, 2007, the Institute adopted the provisions of CICA handbook section 3855 "Financial Instruments, Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation".

This new standard recommend revaluation of certain financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent report date. As permitted for Not-for-Profit Organizations, the Institute has elected not to apply the standards for derivatives and embedded derivatives (elements of contracts whose cash flows move independently from the host contract) in non-financial contracts.

The new standard also requires the Institute to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include: a) held for trading (HFT) – measured at fair value with changes in fair value recorded in statement of revenue and expense; b) held to maturity (HTM) – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the asset is derecognized; c) available for sale (AFS) – measured at fair value with changes in fair value recorded separately in net assets until the asset is derecognized; and, d) loans and receivables – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the asset is derecognized. Classification choices for financial liabilities include: a) HFT – measured at fair value with changes in fair value recorded in statement of revenue and expense; and, b) other liabilities – recorded at amortized cost with gains and losses recognized in statement of revenue and expense when the liability is derecognized.

In accordance with the new standard, the Institute's financial assets and liabilities are generally classified and measured as follows:

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Financial Statement Components	Classification	Measurement
Due from the University of Calgary and Petty Cash	HFT	Fair Value
Accounts receivable	Loans and Receivables	Cost
Investments	HFT	Fair Value
Accounts payable	Other liabilities	Cost

All other accounts in the Statement of Financial Position have not been classified as they are not within the scope of the new accounting standards. The adoption of the new standard did not have any impact on the Institute's financial position or on the results of operations.

The University's financial instruments are recognized on their trade date and transaction costs related to all financial instruments are expensed as incurred.

Note 3 Investments

Periodically, the Institute's Board directs the University to transfer cash equivalents into long-term investments. The University manages the Institute's investments on behalf of the Institute. The Institute follows the University investment policy. Investments include instruments in the following funds:

	Annual Market Yield	2008	Annual Market Yield	2007
Money market investments (1)		$ 1,918		$ 762
Bond index	5.65%	289,604	5.52%	303,338
International index	-14.63%	209,963	26.57%	271,562
S&P 500 index	-15.52%	157,874	37.97%	232,554
Canadian equities	4.88%	391,519	8.93%	408,381
		$1,050,878		$1,216,597

(1) At March 31, 2008, money market investments held an effective yield of 4.17% (2007 – 4.27%).

Note 4 Capital Assets and Collections

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings and leasehold improvements	$195,655	$ 87,115	$ 108,540	$ 21,843
Furnishings and equipment	257,366	224,081	33,285	22,578
Collections	535,967	-	535,967	495,967
Construction in progress	-	-	-	79,032
	$988,988	$311,196	$677,792	$619,421

Note 5 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for non-capital purposes. Changes in the deferred contribution balances are as follows:

	2008	2007 (as restated)
Contributions received during the year:		
Grants	$100,000	$100,000
Donations and other grants	57,981	37,096
Investment (loss) income	(16,294)	21,608
	141,687	158,704
Transferred to revenue:		
Grants	(116,649)	(110,181)
Sales	(104)	(1,339)
Donations and other grants	(27,557)	(3,918)
Investment income	(5,095)	(3,543)
	(149,405)	(118,981)
Less: amounts transferred to unamortized deferred capital contributions	(11,607)	(39,891)
Less: transfer to Endowments	-	(7,583)
Add: transfer from endowments (note 17)	-	38,052
(Decrease) Increase during the year	(19,325)	30,301
Balance beginning of year	145,450	115,149
Balance end of year	$126,125	$145,450
The balance is restricted for:		
Scholarships	62,155	58,412
Research	63,970	87,038
	$126,125	$145,450

Note 6 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the externally funded portion of capital assets, which will be recognized as revenue in future periods. Changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Transfer from Deferred Contributions (note 5)	$11,607	$39,891
Amortized to revenue	(5,878)	(6,996)
Increase during the year	5,729	32,895
Balance, beginning of year	112,747	79,852
Balance, end of year	$118,476	$112,747

Note 7 Internally Restricted Net Assets

The Board of Directors has designated funds for specific purposes. These are for:

	2008	2007 (restated note 17)
Kluane Field Station admin and management services	$ 30,000	$ 30,000
Research Associates Development Fund	-	1,164
ASTIS Restricted Funds	-	25,901
Publications	24,537	37,968
	$54,537	$95,033

Note 8 Endowments

Endowments consist of restricted contributions where the principal is required to be maintained in perpetuity (externally restricted) as well as internal allocations by the Board of Directors (internally restricted). The investment income generated from endowments must be used in accordance with the purpose established by the donors or Board of Directors.

	Balance March 31 2007(restated note 17)	Contributions Received	Balance March 31 2008
Externally Restricted:			
Jennifer Robinson Memorial Endowment	$ 71,478	-	$ 71,478
Lorraine Allison Scholarship	32,350	30,528	62,878
Budget Calgary Educational Award	25,913	-	25,913
BP Canada Scholarship	71,072	-	71,072
Gerald Thompson Scholarship	42,596	-	42,596
	243,409	30,528	273,937
Internally Restricted:			
Life Members Endowment Fund	147,896	650	148,546
	$391,305	$31,178	$422,483

Note 9 Investment (Loss) Income

	2008	2007
Restricted investment income on resources held for endowments	$ 8,838	$ 21,608
Non-restricted investment income	58,473	97,174
Add investment management fees	8,169	5,931
Total net realized investment income	75,480	124,713
(Loss)/Gain on unrestricted investments	(61,553)	16,684
(Loss)/Gain on externally restricted endowments	(25,132)	6,143
(Loss)/Gain on internally restricted endowments	(13,741)	3,707
	(24,946)	151,247
Restricted investment income allocated to deferred contributions	(3,743)	(18,063)
Loss/(Gain) on externally restricted endowments charged to deferred contributions	25,132	(6,143)
	($3,557)	$127,041

Note 10 Related Party Transactions

(a) The Institute received operating grants of $285,645 (2007 - $314,903) from The University of Calgary. In addition, accommodation, basic office furnishings and certain other administrative and operating costs were borne by the University. These services are valued at $17,161 (2007 - $17,161), and are included in donations and other grants, and materials, supplies and services in these financial statements.

(b) During the year, the Institute administered a number of grants on behalf of The University of Calgary. These grants totaling $17,600 (2007 - $30,200) and related expenditures of $17,600 (2007 - $28,200) are not reflected in these financial statements but are reported in the financial statements of the University.

Note 11 Salaries and Benefits

In accordance with Province of Alberta Treasury Board Directive, the salaries and benefits of the Institute's senior decision management group are disclosed as follows:

	2008				2007
	Base Salary[1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Governance [4]					
Chair of the Board of Directors	$ -	$ -	$ -	$ -	$ -
Other members of the Board of Directors	-	-	-	-	-
Executive					
Executive Director	124,212	11,000	19,861	155,073	146,268
	$124,212	$ 11,000	$19,861	$155,073	$146,268

Note 11 Salaries and Benefits (continued)

(1) *Base salary*
Base salary includes regular base pay.

(2) *Other cash benefits*
Other cash benefits include honorariums and research allowances.

(3) *Other non-cash benefits*
Other non-cash benefits include the Institute's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, long and short term disability plan, and worker's compensation.

(4) *Governance*
The Board of Directors do not receive remuneration for their participation on the Board.

Note 12 Pension Costs

The Pension expense recorded in these financial statements is equivalent to the Institute's annual contributions paid to the UAPP of $37,793 for the year ended March 31, 2008 (2007 - $35,414).

The UAPP is a multi-employer contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. At December 31, 2007, the UAPP reported an actuarial funding deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency ($501,300) and a post 1991-deficiency ($34,543). This actuarial funding deficiency has been calculated using the funding assumptions defined by the UAPP Board. The unfunded deficiency for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2006 - 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded deficiency by December 31, 2043. The unfunded deficiency for service after December 31, 1991 is financed by special payments of 2.64% (2006 – 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

Changes are being contemplated for the UAPP which may substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time. Under GAAP, the UAPP and the Institute are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: Pension Plans. The Institute has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: Employee Future Benefits.

Note 13 Budget

The Institute's Board of Directors approved the budget on May 26, 2007.

	2008		2007	
Revenue	Budget	Actual	Budget	Actual (restated)
University of Calgary and Government grants	$ 445,890	$450,377	$ 441,015	$435,293
Sales of services and products	436,612	292,243	387,512	367,353
Donations and other grants	244,090	187,452	243,536	151,144
Investment income (loss)	99,172	(3,557)	93,860	127,041
Earned capital contributions	-	5,878	-	6,996
	1,225,764	932,393	1,165,923	1,087,827
Expense				
Salaries	690,932	746,999	651,643	632,969
Benefits	69,093	96,689	98,500	96,992
Materials supplies and services	563,021	267,531	417,187	259,287
Grants, scholarships and awards	37,734	23,133	17,100	24,250
Amortization of capital assets	20,000	12,998	20,000	24,346
Travel and meeting	35,800	25,821	33,000	38,530
	1,416,580	1,173,171	1,237,430	1,076,374
(Deficiency)/excess of revenue over expense	$(190,816)	$(240,778)	$(71,507)	$ 11,453

Note 14 Future Removal and Site Renovations

The buildings that the Institute owns are located on leased land in the Yukon. The lease between the Government of the Yukon and the Institute is for 96 hectares and expires August 31, 2012.

Under the terms of the lease agreement between the Institute and the Yukon Government, the Institute is required to remove any buildings placed on the land during the lease term.

Management is of the opinion that this lease agreement will be renewed prior to August 31, 2012 thereby mitigating the risk that any site remediation costs will be incurred in connection with this agreement.

Note 15 Funds Held on Behalf of Others

The Institute provides administrative support and holds certain funds on behalf of others. The balance as at March 31, 2008 is $40,431 (2007 - $40,123).

Note 16 Comparative Figures

Certain prior year's figures were reclassified to conform to current year presentation.

Note 17 Correction of error

In prior years, the Institute incorrectly recorded an externally restricted contribution made for the Jim Bourque Scholarship Fund as an endowment. The contribution, which amounted to $13,146 should have been recorded as an increase to deferred contributions. In addition, the Institute incorrectly recorded cumulative market value gains, which amount to $47,673, as direct increases to the endowment pool; of which $24,906 related to externally restricted contributions and accordingly they should have been recorded to deferred contributions. The remaining $22,767 of unrealized gain related to internally restricted endowments which should have remained as part of unrestricted net assets.

In prior years, the Institute made calculation errors when internally restricting portions of its unrestricted net assets for maintenance of Kluane Lake Research Station ($10,000) and its Publications ($12,102).

These errors have been corrected in financial statements and changes have been applied retroactively with restatement of comparative numbers. The impact on the prior year financial statements as a result of the correction of these errors is as follows:

	As previously reported	Correction of Error	2007 (as restated)
Statement of Financial Position			
Increase (Decrease) in:			
Deferred Contributions	$ 107,398	$ 38,052	$ 145,450
Endowments	452,124	(60,819)	391,305
Internally Restricted Net Assets	117,135	(22,102)	95,033
Unrestricted Net Assets	1,293,501	44,869	1,338,370

Note 18 Approval of Financial Statements

These financial statements have been approved by the Board of Directors of the Institute.

THE ARCTIC INSTITUTE OF NORTH AMERICA
ARCTIC JOURNAL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2008

	2008	2007
Revenue		
Grants	$ 8,084	$ 8,183
Memberships and subscriptions	74,709	74,212
Back issues, page charges and reprints	33,336	35,452
Donation	10,276	7,663
Investment (loss)/income	(7,564)	13,013
Total revenue	118,841	138,523
Expense		
Production and distribution	76,318	84,462
Salaries and benefits	76,491	75,358
Office	2,086	2,536
Total expenditure	154,895	162,356
(Deficiency) excess of revenue over expense	$(36,054)	$(23,833)

The revenue and expense of the Arctic Journal are included as part of the revenue and expense on the Statement of Revenue and Expense.

UNIVERSITY TECHNOLOGIES GROUP
Financial Statements

For the year ended March 31, 2008

Auditor's Report

Financial Statements:

- Combined Balance Sheet
- Combined Statement of Retained Earnings (Deficit)
- Combined Statement of Operations
- Combined Statement of Cash Flows
- Notes to Combined Financial Statements
- Schedule 1
- Schedule 2
- Schedule 3
- Schedule 4

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Shareholder of University Technologies International Inc. and the Partners of UTI Limited Partnership

I have audited the combined balance sheet of the University Technologies Group as at March 31, 2008 and the combined statements of loss and comprehensive loss, retained earnings (deficit) and cash flows for the year then ended. These combined financial statements are the responsibility of the Group's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these combined financial statements present fairly, in all material respects, the financial position of the Group as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 25, 2008

University Technologies Group
Combined Balance Sheet
As at March 31

		2008		2007
Assets				
Current assets				
Cash and cash equivalents	$	2,314,150	$	3,822,637
Accounts receivable		290,000		481,207
GST refund receivable		28,435		-
Prepaid expenses		15,679		25,732
Inventory *(note 4)*		-		65,072
Restricted cash and cash equivalents *(note 5)*		699,306		720,226
		3,347,570		5,114,874
Promissory note receivable *(note 6)*		25,000		-
Investments *(note 7)*		1,042,276		114
Property and equipment *(note 8)*		247,680		176,160
Intangible assets *(note 9)*		1,637,783		1,245,894
	$	6,300,309	$	6,537,042
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	$	1,009,707	$	811,095
Deferred revenue		699,306		720,226
Interest payable on note *(note 12)*		540,000		540,000
		2,249,013		2,071,321
Long-term debt *(note 11)*		219,376		1,131,295
Long-term note payable *(note 12)*		9,000,000		9,000,000
Non controlling interest in subsidiary companies		5,444		24,532
		9,224,820		10,155,827
Shareholder's Deficiency				
Share capital *(note 13)*		1		1
Retained earnings (deficit)		(5,173,525)		(5,690,107)
		(5,173,524)		(5,690,106)
	$	6,300,309	$	6,537,042

Commitments and contingencies *(note 14)*

On behalf of the Board of Directors

Director

Director

The accompanying notes are part of these combined financial statements.

University Technologies Group

Combined Statement of Retained Earnings (Deficit)
For the years ended March 31

		2008		2007
Balance, Beginning of Year	$	**(5,690,107)**	$	(5,182,290)
Opening adjustment to retained earnings *(note 7)*		**3,173,799**		-
Loss for the year		**(2,657,217)**		(507,817)
Balance, End of Year	$	**(5,173,525)**	$	(5,690,107)

The accompanying notes are part of these combined financial statements.

University Technologies Group
Combined Statements of Loss and Comprehensive Loss
For the years ended March 31

	2008 Budget *(Note 18)*	2008 Actual	2007 Actual
Revenue			
Net licensing and royalty revenue (Schedule 1)	$ 1,885,383	$ **2,396,479**	$ 2,199,784
Net product development revenue (expense) (Schedule 2)	-	**(267,271)**	4,565
Net sales revenue (Schedule 3)	274,495	**88,903**	152,102
Client contract revenue	200,000	-	-
Other revenue	80,000	**6,691**	3,907
	2,439,878	**2,224,802**	2,360,358
Expenses			
Personnel (Schedule 4) (*note 16*)	3,068,237	**2,615,370**	2,073,466
Operating	1,867,690	**1,231,390**	1,122,913
Interest	540,000	**540,000**	552,518
Amortization	275,000	**337,058**	278,199
Write down of patents	100,000	**214,118**	214,721
Other	647,632	**454,220**	103,694
	6,498,559	**5,392,156**	4,345,511
Expense reimbursements *(note 17)*	(1,245,000)	**(1,195,291)**	(752,684)
	5,253,559	**4,196,865**	3,592,827
Earnings (loss) before the following	(2,813,681)	**(1,972,063)**	(1,232,469)
Gain (loss) on sale of investments	1,397,500	**(55,431)**	585,767
Interest income	120,000	**143,422**	183,680
Foreign exchange gain/(loss)	-	**(155,473)**	4,088
Unrealized loss on investments *(note 7)*	-	**(1,499,480)**	-
Debt forgiveness *(note 11)*	-	**911,670**	-
Gain (loss) on sale of equipment	-	**50**	(8,418)
	1,517,500	**(655,242)**	765,117
Earnings (loss) before income taxes	(1,296,181)	**(2,627,305)**	(467,352)
Provision for current income taxes	-	-	7,586
Earnings (loss) before non controlling interest	(1,296,181)	**(2,627,305)**	(474,938)
Non controlling interest in earnings (loss) of subsidiary companies	-	**(29,912)**	(32,879)
Net Loss and comprehensive loss for the year	$ (1,296,181)	$ **(2,657,217)**	$ (507,817)

The accompanying notes are part of these combined financial statements.

University Technologies Group

Combined Statement of Cash Flows

For the years ended March 31

	2008	2007
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the year	$ (2,657,217)	$ (507,817)
Add back non-cash items		
Amortization	337,058	278,199
Loss (gain) on sale of investments	1,554,911	(585,767)
Non-controlling interest	29,912	32,879
Write-down of inventory	55,003	-
Write-down of patents	214,118	214,721
Debt forgiveness	(911,670)	-
Loss (gain) on sale of equipment	(50)	8,418
	(1,377,935)	(559,367)
Net change in non-cash working capital and restricted cash balances related to operations *(note 18)*	381,506	594,490
	(996,429)	35,123
Investing activities		
Purchase of property and equipment	(136,035)	(130,993)
Purchase of intangible assets	(1,036,432)	(797,671)
Cost recoveries on intangible assets	157,881	188,167
Change in investments	(151)	-
Proceeds on sale of equipment	50	2,000
Proceeds on sale of investments	576,878	585,767
	(437,809)	(152,730)
Financing activities		
Promissory note receivable	(25,000)	-
Dividends to non-controlling interest	(49,000)	(49,000)
Proceeds from (repayment of) long-term debt	(249)	416,803
	(74,249)	367,803
Increase/(decrease) in cash and cash equivalents	(1,508,487)	250,196
Cash and cash equivalents, beginning of year	3,822,637	3,572,441
Cash and cash equivalents, end of year	$ 2,314,150	$ 3,822,637

The accompanying notes are part of these combined financial statements.

University Technologies Group

Combined Statement of Cash Flows - continued
For the years ended March 31

		2008		2007
Cash and cash equivalents are comprised of				
Cash in banks	$	1,513,455	$	987,153
Less: restricted cash		(699,306)		(720,226)
Bankers' acceptances		1,500,001		3,555,710
	$	2,314,150	$	3,822,637
Supplemental Information				
Cash taxes paid	$	6,000	$	1,500
Cash interest received		143,422		183,680
Cash interest paid		540,000		552,518

1. Nature of operations

University Technologies Group is dedicated to the pursuit of licensing, commercialization, and managing intellectual property.

2. Basis of presentation

These financial statements are prepared on a combined basis as the entities being combined are under common control and managed by a common owner. These statements include the accounts of University Technologies International Inc. ("UTI"), UTI Limited Partnership ("UTI LP") and UTI LP's wholly owned subsidiaries University Technologies International Venture Management Inc., UTI Business Ventures Inc., CytoStore Inc. and its 51 % owned subsidiaries NeuroSpheres Ltd. and NeuroSpheres Holdings Ltd. ("NHL"). The combined entities are referred to as University Technologies Group ("Group"). The combined balances are presented after eliminating the inter-company transactions and balances.

3. Significant accounting policies

These combined financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"):

a) Revenue recognition

Licensing and client contract revenues are recognized when persuasive evidence of an arrangement exists, collection of the fee is probable and there are no future obligations for performance. Client contract revenue is recorded as services are provided.

Royalty revenues are recognized when earned, based on product sales reported by licensees.

Product development revenue is deferred and recognized as related product development expenses are incurred. Product development revenue includes overhead recoveries.

Sales revenue is recorded when the product has been sold, delivery has occurred, and collection is reasonably assured.

b) Investments in significantly influenced companies

The Group accounts for its investments in AB Biopharma Inc., ACT Pharma Inc., and On Stream Technologies Inc., entities over which the Group has significant influence, by the equity method. Under the equity method, the Group's investments are recorded initially at cost, increased by the net earnings of the investee entity, decreased by net losses of the investee entity, and decreased by dividends received from the investee entity and adjustments required to recognize other changes in the Group's equity interest. Net earnings (losses) are recorded based on each investee corporation's most recent fiscal year end.

c) Property and equipment

Property and equipment are initially recorded at cost and amortization is provided over the estimated useful lives of the property and equipment on a straight-line basis as follows:

Office furniture and artwork	10 to 15 years
Office equipment and systems	3 years
Computer hardware	2 years
Website	3 years
Promotional Equipment	5 years
Leasehold improvements	Remaining term of 5 year lease

Management assesses the carrying amount of property and equipment for impairment when facts and circumstances indicate impairment has occurred and an impairment loss is recognized when the carrying amount exceeds fair value. No impairment loss has been recorded to date.

d) Intangible assets

Computer software is amortized on a straight-line basis over its estimated useful life of 2 years.

Patents are recorded at cost and include acquisition and maintenance costs. Patent costs are amortized on a straight-line basis over 10 years. The carrying value of patents related to a project is limited to the estimated future net cash flows from the project. Patent costs in excess of estimated future net cash flows are written off.

e) Investment tax credits

Investment tax credits are recognized when there is reasonable assurance of their recovery using the cost reduction method. Investment tax credits are subject to the customary assessments by the pertinent tax authorities. Adjustments required, if any, are reflected in the year when such assessments are received.

f) Income taxes

Income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determinable based on the tax laws and rates that are anticipated to apply in the period of realization. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

g) Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method. Under this method, monetary assets and liabilities are translated using the rate of exchange in effect at the balance sheet date, whereas non-monetary assets and liabilities are translated at the rate of exchange in effect on the date of the transaction. Revenues and expenses are translated at monthly average rates prevailing throughout the period, except for amortization, which is translated at exchange rates prevailing when the related assets were acquired. Exchange gains and losses resulting from translation are included in the statement of earnings and retained earnings.

h) Government assistance

Government assistance related to current expenses is recorded as a reduction of expenses when the related expenditures are incurred. Government assistance related to capital expenditures is reflected as a reduction in the cost of such assets. When cash is received in advance of the related expenditures, the grant is recorded as deferred revenue and the cash is separately disclosed as restricted cash.

i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made for recoverability of patent costs, investment valuations and amortization of property and equipment and intangible assets.

j) Cash and cash equivalents

Cash and cash equivalents consists of cash on deposit and highly liquid short-term interest bearing securities which mature within three months or less of the date of purchase.

k) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the weighted average method.

l) Changes in accounting policies

On April 1, 2007, the Group adopted the Canadian Institute of Chartered Accountants (CICA) handbook section 1530 "Comprehensive Income,' section 3251 "Equity," section 3855 "Financial Instruments – Recognition and Measurement," and section 3865 "Hedges". These standards result in changes in the accounting for financial instruments as well as introduce comprehensive income as a separate component of shareholders' equity. As required, these standards have been adopted prospectively and comparative amounts for the prior periods have not been restated.

i. Comprehensive Income

Comprehensive income is comprised of net earnings or loss and other comprehensive income (OCI). OCI represents the change in equity for a period that arises from unrealized gain and losses on available for sale securities and changes in the fair market value of derivative instruments designated as cash flow hedges. The Group does not currently have any transactions that give rise to OCI, therefore the Group net loss and comprehensive loss are the same amount.

ii. Equity

This section established the standards for presentation of equity and changes in equity during the period. The section requires separate presentation of changes in equity for the period arising from net income. OCI, contributed surplus, retained earnings, share capital and reserves. There were no changes in equity during the period which would give rise to an accumulated OCI balance within shareholders' equity in the combined balance sheet.

iii. Financial instruments

This section establishes standards for the recognition and measurement of financial instruments, which is compromised of financial assets, financial liabilities, derivatives and non-financial derivatives.

Under this standard, all financial instruments are initially recorded at fair value and are subsequently accounted for based on one of five classifications: held for trading, held to maturity, other financial liabilities, loans and receivables or available for sale. The classification of a financial instrument depends on its characteristics and the purpose for which it was acquired.

1. Held for trading

Held for trading financial instruments are financial assets or financial liabilities that are purchased with the intention of selling or repurchasing in the near term. Any financial instrument can be designated as held for trading as long as its fair value can be reliably measured. A derivative is classified as held for trading unless designated as and considered as effective hedge. Held for trading instruments are recorded at fair value with any subsequent gains or losses from changes in the fair value included in earnings.

Currently the Group's holdings in public companies are accounted for as held for trading financial instruments and are recorded at fair value. It was concluded that the fair value of the Group's investments in private companies was not determinable therefore the investments have been designated as available for sale and recorded at cost.

2. Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Group has the intent and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. Any gains or losses arising from the sale of a held to maturity investment are included in earnings. All of the Group's cash equivalents and short-term investments are designated as held to maturity investments.

The fair values of cash equivalents and short-term investments approximate their carrying value due to their short-term nature.

3. Other financial liabilities

Items classified as other financial liabilities on the financial statements are accounted for at amortized cost using the effective interest method. Any gains or losses in the realization of other financial liabilities are included in earnings.

The Group's accounts payable and accrued liabilities, long term debt and long term note payable are deemed to be other financial liabilities and are measured at amortized cost. The fair value of accounts payable and accrued liabilities approximates their carrying value due to the short term nature of these instruments.

4. Loans and receivables

Items classified as loans and receivables in financial statements are accounted for at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings.

The fair value of accounts receivable and other receivables approximates their carrying values due to the short-term nature of these instruments.

5. Available for sale

Available for sale assets are those financial assets that are not classified as held for trading, held to maturity or loans and receivables. Available for sale instruments are recorded at fair value. Any gains or losses arising from the change in fair value is recorded in OCI and upon the sale of the instrument or other-than-temporary impairment, the cumulative gain or loss is included in earnings.

The Group has designated its investments in private companies as available for sale.

Fair values are based upon quoted market prices available from active markets or are otherwise determined using a variety of valuation techniques and models using quoted market prices. Where the fair value cannot be reasonably determined, investments are measured at cost.

m) Future accounting changes

i. Financial Instruments and Capital Disclosures

CICA Handbook Section 1535, "Capital Disclosures" and CICA Handbook Section 3863, "Financial Instruments – Presentation" are new disclosure requirements that will become effective for the Group beginning April 1, 2008. Any additional disclosures related to the Group's financial instruments and capital management strategies will be added to existing disclosures provided in the notes to the combined financial statements.

ii. Intangible Assets

CICA Handbook Section 3064, "Intangible Assets", will become applicable to the Group for the year beginning April 1, 2009. The new guidance will replace Section 3062, "Goodwill and Other Intangible Assets", and is issued with the withdrawal of several other accounting pronouncements dealing with intangible assets. Section 3064 provides extensive guidance which clarifies the recognition and initial measurement of intangible assets, especially internally generated intangibles, and will virtually eliminate the practice of deferring costs that are no longer meet the definition of an asset. The Group is in the process of evaluation the impact of this standard on the combined financial statements.

n) Reclassification

Certain prior years' figures have been reclassified to conform to changes in presentation adopted in the current year.

4. Inventory

Inventory is comprised of:

		2008		2007
UTI LP – Dataloggers & Cables	$	-	$	34,412
CytoStore – Reagents		-		30,660
	$	-	$	65,072

5. Restricted cash and cash equivalents

Certain cash and cash equivalents balances amounting to $699,306 (2007 - $720,226) are not available to pay ordinary operating expenses of the Group.

- $482,999 (2007 - $471,862) is held to pay for research and development expenses as provided by the terms of the agreements between the Group and firms sponsoring such activities.
- $Nil (2007 - $104,840) is held to pay for costs associated with funds received from an Alberta Advanced Education & Technology grant received during that year.
- $140,041 (2007 - $99,458) is held to pay for costs associated with funds received from an Alberta Heritage Foundation for Medical Research block grant.
- $76,266 (2007 - $44,066) is held to pay for costs associated with funds received from an Alberta Ingenuity Fund grant.

6. Promissory note receivable

On July 25, 2007 the Group loaned IntelliView Technologies Inc., previously known as Smart Camera Technologies Inc., $25,000. The note matures on July 25, 2008 and must be repaid in full, plus any interest accrued at 3.5%, paid monthly in arrears, or converted into common shares at the option of the Group. The note can be converted into such number of common shares as dividing the $25,000 principal amount plus any accrued interest by the common share price established in the original offering document.

7. Investments

		2008		2007
ACT Pharma Inc. – 49.99% of the issued and outstanding shares				
Equity investment at beginning of year	$	108	$	108
Share of income (loss)		2		-
		110		108
On Stream Technologies Inc. – 30% of the issued and outstanding shares				
Equity investment at end of year	$	1	$	1
Other investments				
Calgary Scientific Inc.		-		1
Circle Cardiovascular Imaging Inc.		-		-
Helix Biomedix Inc. (1) (3)		-		1
Innovision Inc.(1)		-		-
Membrane Reactor Technologies Inc. (1)		-		-
NYVARA Pharmaceutical Inc. (1)		1		1
Profero Energy Inc.		151		-
ReNeuron Group PLC (1)(4)		-		1
AtheroMedix Inc. (formerly SalPep Inc.)		1		1
SemBioSys Genetics Inc.(2)		1,042,012		-
		1,042,165		5
	$	1,042,276	$	114

(1) Investments are related to non-monetary exchanges of shares in each company for licenses. The fair value of each transaction was nominal at the exchange date.

(2) On March 31, 2007 SemBioSys Genetics was valued at original cost of $nil. At April 1, 2007 the Group held 1,036,264 shares at a market value of $3,108,792 or $3.00 per share. As at April 1, the shares were revalued at market value as required by the new CICA Financial Instruments Handbook Section. The initial increase in market value was booked to retained earnings. As at March 31, 2008 the stock price had decreased to $1.23 per share and the subsequent loss on the shares was booked to unrealized gain (loss) on investments. The Group sold 189,100 shares during the fiscal year and has 847,164 common shares remaining at March 31, 2008.

(3) On March 31, 2007 Helix Biomedix Inc. was valued at original cost of $1. At April 1, 2007 the Group held 4,050 shares at a market value of $4,901 or $1.21 per share. As at April 1, 2007 Helix Biomedix was revalued at market value as required by the new CICA Financial Instruments Handbook Section. The initial increase in market value was booked to retained earnings. UTI sold all of its shares of Helix Biomedix Inc. during fiscal 2008.

(4) On March 31, 2007 ReNeuron Group PLC was valued at original cost of $1. At April 1, 2007 the Group held 109,286 shares at a market value of $60,107 or $0.55 per share. As of April 1, 2007 ReNeuron Group PLC was revalued at market value as required by the new CICA Financial Instruments Handbook Section. The initial increase in market value was booked to retained earnings. UTI sold all of its shares of ReNeuron Group PLC during fiscal 2008.

(a) Other equity investments

The Group also holds an equity investment of 49.99% in AB Biopharma Inc. The current fair value of the equity in this entity is $ nil.

8. Property and equipment

						2008
		Cost		**Accumulated amortization**		**Net**
Artwork	$	3,239	$	1,494	$	1,745
Website		30,388		18,517		11,871
Promotional Equipment		3,102		1,093		2,009
Office equipment and systems		88,985		56,263		32,722
Office furniture		192,475		35,246		157,229
Computer hardware		194,213		158,636		35,577
Leasehold improvements		43,337		36,810		6,527
	$	555,739	$	308,059	$	247,680

						2007
		Cost		Accumulated amortization		Net
Artwork	$	3,239	$	1,278	$	1,961
Website		27,028		9,298		17,730
Promotional Equipment		3,102		472		2,630
Office equipment and systems		68,214		51,817		16,397
Office furniture		118,682		19,608		99,074
Computer hardware		159,517		127,803		31,714
Leasehold improvements		40,861		34,207		6,654
	$	420,643	$	244,483	$	176,160

9. Intangible assets

			2008
	Cost	**Accumulated amortization**	**Net**
Computer software	**$ 99,326**	**$ 60,353**	**$ 38,973**
Patents	**2,705,709**	**1,106,899**	**1,598,810**
	$ 2,805,035	**$ 1,167,252**	**$ 1,637,783**

			2007
	Cost	Accumulated amortization	Net
Computer software	$ 53,512	$ 45,739	$ 7,773
Patents	2,230,121	992,000	1,238,121
	$ 2,283,633	$ 1,037,739	$ 1,245,894

During the year, patents with a net book value of $214,118 (2007 - $214,721) were written off. During the year, patent reimbursements of $157,881 (2007 - $188,167) were received from third parties and applied directly to the patent costs incurred by the Group.

10. Future Income taxes

The significant components of the Group's future income tax asset are summarized as follows:

	2008	2007
Property, plant and equipment	**$ 64,580**	$ 26,425
Non-capital loss carry forwards	**178,985**	369,060
Eligible Capital	**27,733**	35,736
Future income tax asset	**271,298**	431,221
Less: Valuation Allowance	**$ (271,298)**	$ (431,221)
	$ -	$ -

The company has recorded a full valuation allowance against the future tax assets due to the uncertainty regarding recoverability.

Non-capital losses carry forwards will expire in the following years:

2015 - $ 388
2026 - $ 4,037
2027 - $324,955
2028 - $386,559

Investment tax credits, in NeuroSpheres Inc. have expired.

11. Long-term debt

At March 31, 2008, the Group's long-term debt is $219,376 (2007 – $1,131,295). The total outstanding debt relates to funds received by NeuroSpheres (2007 - $219,625) through the Alberta Heritage Foundation for Medical Research (AHFMR) in accordance with an agreement dated November 3, 1993.

NeuroSpheres debt is non-interest bearing and repayment is contingent upon NeuroSpheres ability to generate gross sales of product and services. As sales are generated, the lesser of $100,000 and 5% of gross sales is to be paid to AHFMR on an annual basis until the principal debt of $219,376 (2007 - $219,625) plus an additional royalty of $250,000 is paid to AHFMR.

AHFMR has the option to convert the outstanding obligation including the debt of $219,625 plus the contingent royalty liability of $250,000 into an equity interest in NeuroSpheres equal to 2.5% of all issued and outstanding shares at the time the option is exercised. The option value was deemed to be nominal at the grant date.

The long-term debt no longer includes funds received by CytoStore through Western Economic Diversification Canada (WED) (2007 – $660,670), in accordance with an agreement dated March 22, 2005, and from AVAC Ltd. (2007 – $251,000) in accordance with agreements dated December 21, 2005 and July 2004. Effective October 2007 UTI started an orderly wind up of CytoStore operations with all operations being concluded on March 31, 2008. UTI has received letters from both WED and AVAC Ltd. releasing CytoStore from all obligations under both agreements. The total amount of debt $911,670 has been taken into income, in CytoStore, under the debt forgiveness rules.

12. Long-term note payable

As part of the reorganization that took place on April 1, 2005, the University of Calgary transferred its shares in old UTI to 6325041 Canada Ltd. in exchange for a promissory note in the amount of $9,000,000 (the "Principal Amount") and a nominal number of shares. Old UTI and 6325041 Canada Ltd. were then amalgamated to form University Technologies International Inc. The note bears interest on the Principal Amount outstanding from time to time at a rate per annum equal to 6%. The interest shall be paid in cash annually in arrears on or before July 1 of each year in respect of the prior 12 month period commencing on April 1 and ending on March 31. However, the University of Calgary, in its sole and absolute discretion may waive payments of interest in any given year as long as the Principal Amount is outstanding or may accept securities of UTI in lieu of cash payment in any given year as long as the Principal Amount is outstanding. The Principal Amount must be paid to the University of Calgary within 15 days of the University of Calgary making a written demand. The Company received a letter from the University of Calgary confirming that repayment would not be requested within 366 days.

13. Share capital

University Technologies International Inc.

(a) Authorized

One Class "A" common share
Unlimited number of Class "B" voting preferred shares

(b) Outstanding

		2008		2007
Common shares				
Number of Shares		1		1
Amount	$	1	$	1

UTI Limited Partnership

(a) Partnership Units Authorized

There is no restriction on the number of Class A Preferred Units and Class B Units that a Limited Partner is entitled to hold in the Limited Partnership (subject to the maximum number available, which may be increased or decreased at the sole discretion of the General Partner) pursuant to the Limited Partnership Agreement, as outlined in the Units and Partner Status.

(b) Partnership Units Outstanding

		2008		2007
Class A Preferred Units (non-voting)				
Number of Units		1		1
Amount	$	4,542,197	$	4,542,197
Class B Units (voting)				
Number of Units		1		1
Amount	$	100	$	100

14. Commitments and contingencies

Lease

The Group signed a new five year lease agreement on November 21, 2005 and a new lease agreement for additional space on November 12, 2007. The Group is committed to minimum operating lease payments, per year ending, under the terms of premises leases as follows:

March 31, 2009 -	$99,394
March 31, 2010 -	$79,110
December 31, 2010 -	$59,333

Equity Incentive Plan

In the event a disposition of an equity holding occurs in an investment which generates a realized capital gain and is subject to the Equity Incentive Plan ("EIP"), such capital gain may be reduced by up to 20% as a result of incentive pay to EIP participants. As at March 31, 2008, $74,393 (2007 - $102,920) has been accrued relating to current amounts owed under the EIP based on sales of equity during the year.

15. Related party transactions

During the year, the Group was involved in the following transactions with the University of Calgary:

	2008	2007
Other revenue	-	12,401
Product development expense	**446,259**	214,140
Other services included in operating expense	**62,615**	71,070
Royalty payments	**22,787**	27,981
Reagent production costs	**11,967**	7,802
Interest on note payable *(note 12)*	**540,000**	540,000

At March 31, 2008, accounts payable included $640,218 (2007 - $649,331) due to the University of Calgary related to the above transactions, the majority of which relates to the interest on the note payable. These transactions were entered into on the same terms and conditions as transactions with non-related parties and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The University of Calgary, as parent of the University Technologies Group, has provided a letter of support dated June 24, 2008 to UTI. The letter of support indicates that the University of Calgary will support a line of credit for UTI up to a amount of $1,500,000.

At March 31, 2008, accounts receivable includes $53,470 (2007 – $53,850), from AB Biopharma Inc., a company that the Group holds an equity investment of 49.99% in. The accounts receivable balance relates to a license fee of $32,100 and a reimbursement to the Group for legal fees of $21,370, that the Group paid relating to AB Biopharma Inc. intellectual property costs.

During the fiscal year, the Group granted funds to On Stream Technologies Inc. in the amount of $80,250 for product development funding. The Group owns 30% of this company and the President and CEO of University Technologies International Inc. is also the volunteer CEO of this company.

16. Defined contribution plans

The Group maintains voluntary defined contribution plans for its eligible full-time and part-time employees. The Group will match and contribute up to a maximum of 4% of an employee's gross salary to an RRSP. This contribution is based on the executive level of the employee, length of service of the employee and the amount the employee contributes. The Group also contributes up to 3% of an employee's gross salary to a pension plan. The Group contributed a total of $77,663 in the fiscal year 2008 (2007 - $59,817), of which the pension expense for 2008 was $49,240 (2006 - $39,943).

17. Expense reimbursements

Expense reimbursements consist of:

		2008		2007
Government Assistance				
Government of Alberta	$	**1,105,634**	$	676,283
Government of Canada		**79,422**		59,752
		1,185,056		736,035
Other reimbursements		**10,235**		16,649
	$	**1,195,291**	$	752,684

18. Changes in non-cash working capital and restricted cash

		2008		2007
Accounts receivable	$	**191,207**	$	508,163
GST refund receivable		**(28,435)**		6,093
Prepaid expense		**10,053**		213
Inventory		**10,069**		7,397
Restricted cash		**20,920**		(414,498)
Accounts payable and accrued liabilities		**198,612**		72,624
Deferred revenue		**(20,920)**		414,498
	$	**381,506**	$	594,490

19. Budget

The March 31, 2009 budget was approved by the Board of Directors on March 12, 2008 and the March 31, 2008 budget was approved by the Board of Directors on April 19, 2007.

20. Risk Management

(a) Credit and foreign currency risk

The Group is exposed to considerable credit risk as 85% of its sales come from mainly one customer. However, this customer is a large US company and is not considered a going concern. The Group manages its foreign currency risk, due to the large volume of sales in US dollars, by holding the US dollar sales in a US dollar account. Funds from the US dollar account are exchanged into Canadian dollars as needed and in conjunction with the foreign exchange rate fluctuation. The Group does not hedge its US dollars.

(b) Interest rate risk

The Group is exposed to interest rate risk in relation to interest income earned on cash and cash equivalents. At March 31, 2008, the increase or decrease in earnings for each 1% change in interest rates earned on cash and cash equivalents amounts to approximately $13,556 per annum before tax (2007 – $38,000).

21. Customer Concentration

During the year approximately eighty five percent (85%) (2007-76%) of the Group's gross revenue from licensing and royalty agreements was earned under a licensing agreement with one major customer.

University Technologies Group

Schedule 1

Combined Schedule of Net Licensing and Royalty Revenue
For the years ended March 31

		2008	2007
	Budget *(Note 19)*	**Actual**	Actual
Gross revenue from licensing and royalty agreements	4,408,888	**4,861,984**	4,489,829
Distribution to other parties under licensing and royalty agreements			
Inventors		**2,440,943**	2,252,311
Client institutions		**24,562**	37,734
	2,523,505	**2,465,505**	2,290,045
Net licensing and royalty revenue	$ 1,885,383	**2,396,479**	2,199,784

University Technologies Group

Schedule 2

Combined Schedule of Net Product Development Revenue (Expense)
For the years ended March 31

	2008		2007
	Budget *(Note 19)*	Actual	Actual
Gross revenue earned under product development agreements	$ -	222,671	$ 278,339
Subcontract expense	-	(489,942)	(273,774)
Net product development revenue (expense)	$ -	(267,271)	$ 4,565

University Technologies Group

Schedule 3

Combined Schedule of Net Sales Revenue
For the years ended March 31

	2008		2007
	Budget *(Note 19)*	**Actual**	Actual
Sales revenue	$ 332,159	**$ 170,823**	$ 185,074
Cost of sales	57,664	**81,920**	32,972
Net sales revenue	$ 274,495	**$ 88,903**	$ 152,102

University Technologies Group

Combined Schedule of Personnel Costs
For the years ended March 31

Schedule 4

	2008					2007	
	Number of individuals	Base Salary (1)	Other Cash Benefits (2)	Benefits and allowances (3)	Total	Number of individuals	Total
		$	$	$	$		$
Chairman	1	-	-	-	-	1	-
Other directors	14	-	-	-	-	13	-
Senior employees:							
President	1	213,713	131,872	14,083	359,668	1	315,193
VP Business Development	1	139,726	25,200	10,839	175,765	1	160,244
VP Finance and Administration (4)	2	111,206	19,800	8,388	139,394	1	151,762

(1) Base salary includes pensionable base pay.

(2) Other cash benefits include bonuses, equity incentive compensation, vacation payments, overtime, and lump sum payments.

(3) Benefits and allowances include the Group's share of all employee benefits and contributions or payments made on behalf of employees including Canada Pension Plan, Employment Insurance, health care, dental coverage, group life insurance and pension.

(4) The Vice President Finance and Administration returned from maternity leave on July 1, 2007. The Acting Vice President Finance and Administration contract ended August 31, 2007.

Olympic Oval/Anneau Olympique

Financial Statements
March 31, 2008

AUDITOR GENERAL
Alberta

Auditor's Report

To the Board of Governors of the University of Calgary and the Board of Directors of Calgary Olympic Development Association

I have audited the statements of base operating costs and revenue of the Olympic Oval/Anneau Olympique, expenditures incurred in providing programming for high performance athletes and fund balance, revenue and expense for the coaching services program, and reserves for the year ended March 31, 2008. This financial information is the responsibility of the University's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

The Oval Long-term Operating Agreement requires that all revenues received and expenses incurred by the University in connection with the maintenance, management and operation of the Olympic Oval be included in the financial information. However, the statement of base operating costs and revenues does not include all the revenues and expenses arising from the University's use of the Oval facility. The amount of these excluded revenues and expenses is not reasonably determinable.

In my opinion, except for the exclusion of the revenues and expenses referred to in the preceding paragraph, this financial information present fairly, in all material respects:

- the base operating costs and revenues;
- the expenditures incurred in providing programming for high performance athletes and fund balance;
- the revenue and expense for the coaching services program;
- and the reserves of the Olympic Oval/Anneau Olympique

for the year ended March 31, 2008 in accordance with Article 7.01a of the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
June 20, 2008

Olympic Oval/Anneau Olympique
Statement of Base Operating Costs and Revenue
For the year ended March 31, 2008

	2008 $ Budget (Note 8)	2008 $ Actual	2007 $ Actual
Base Operating Costs (Note 2)			
Salaries and benefits	2,042,997	1,957,808	1,931,804
Utilities and maintenance	1,578,100	1,502,977	1,245,005
Supplies and advertising	254,380	421,211	337,970
Central administration support	35,000	32,448	32,448
Purchased services	165,100	204,179	182,419
Telecommunications and postage	33,000	42,314	38,928
Travel and hosting	70,106	86,457	45,528
Insurance	22,000	27,456	25,118
Legal and audit	35,000	19,202	18,115
	4,235,683	4,294,052	3,857,335
Vacation pay not funded (Note 2)	-	1,859	7,500
Gross Revenue (Notes 2 & 3)	(741,089)	(753,203)	(938,760)
Net base operating costs before other	3,494,594	3,542,708	2,926,075
Coaching services program deficiency/(excess) of revenue over expense	4,912	64,521	(59,264)
High performance programming	-	100,000	100,000
Operating costs to be funded	3,499,506	3,707,229	2,966,811
Funded by:			
University of Calgary (Note 4)	1,166,502	1,297,489	1,054,050
Calgary Olympic Development Association (Note 4)	2,333,004	2,409,740	1,912,761
	3,499,506	3,707,229	2,966,811

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique
Statement of Expenditures Incurred in Providing Programming for High Performance Athletes and Fund Balance
For the year ended March 31, 2008

	2008 $	2007 $
Funds available at beginning of year	427,448	327,448
Less expenditures: (Note 5)		
Athlete support services	-	-
Transfer to coaching services program	-	-
Research funding	49,727	-
Research salaries and benefits	-	-
Research equipment and supplies	-	-
	49,727	-
Add University of Calgary allocation of revenues earned for high performance athletes programming	100,000	100,000
Funds available at end of year for expenditure on high performance athletes programming	477,721	427,448

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique
Statement of Revenue and Expense
For the Coaching Services Program
For the year ended March 31, 2008

	2008			2007		
	Other Programming $ (Note 7)	High Performance Athletes $	Total $	Other Programming $	High Performance Athletes $	Total $
Revenue:						
Grants and sponsorships	40,721	1,203,360	1,244,081	65,941	1,237,813	1,303,754
Camps and competitions	228,594	88,382	316,976	246,224	113,468	359,692
Coaching and other fees	77,975	451,814	529,789	128,193	404,723	532,916
General	44,996	153,389	198,385	48,508	51,711	100,219
Transfer from programming for high performance athletes	-	-	-	-	-	-
	392,286	1,896,945	2,289,231	488,866	1,807,715	2,296,581
Expense:						
Coaching salaries & benefits	214,658	1,253,168	1,467,826	150,294	1,120,541	1,270,835
Specialist sport services	47,235	226,157	273,392	112,993	149,951	262,944
Travel, camps, competitions	121,305	160,817	282,122	76,574	149,228	225,802
Advertising	19,710	30,088	49,798	307	6,820	7,127
Supplies	70,398	62,299	132,697	53,985	93,140	147,125
Meeting expense	17,280	90,244	107,524	5,623	66,676	72,299
Bursaries	-	8,000	8,000	-	232,389	232,389
Rentals and leases	8,483	5,029	13,512	19,880	6,478	26,358
Memberships	1,084	9,649	10,733	1,586	5,168	6,754
Other	6,215	4,172	10,387	-	-	-
Equipment	-	18,645	18,645	-	-	-
	506,368	1,868,268	2,374,636	421,242	1,830,391	2,251,633
Excess (deficiency) of revenue over expense	(114,082)	28,677	(85,405)	67,624	(22,676)	44,948
Vacation pay not funded (Note 2)	5,436	15,448	20,884	6,262	8,054	14,316
Excess (deficiency) of revenue over expense - net to be funded	(108,646)	44,125	(64,521)	73,886	(14,622)	59,264

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique
Statement of Reserves
For the year ended March 31, 2008

	Building Reserve		Special Equipment Reserve	
	2008	2007	2008	2007
	$	$	$	$
Capital renewal provision	256,274	212,586	161,533	550,377
Interest	41,023	33,063	23,729	22,715
	297,297	245,649	185,262	573,092
Capital expenditures	265,452	-	189,038	1,552,680
Less funded by CODA	(176,968)	-	(126,025)	(1,035,120)
	88,484	-	63,013	517,560
Increase in reserve for the year	208,813	245,649	122,249	55,532
Reserve balance at beginning of year	1,106,176	860,527	594,869	539,337
Reserve balance at end of year (Note 6)	1,314,989	1,106,176	717,118	594,869

The accompanying notes are part of these statements.

Olympic Oval/Anneau Olympique
Notes to the Statements
March 31, 2008

1 Purpose

The Olympic Oval/Anneau Olympique ("the Oval") was constructed by the University of Calgary (the "University") to serve as the speed skating venue for the 1988 Olympic Winter Games, with capital funding provided entirely by the Government of Canada. It is now operated as a legacy of the Games for the benefit of high performance athletes, the general public, and students and researchers of the University.

The Oval is operated by the University under the Oval Long-term Operating Agreement, December 31, 1987 and the Oval Long-term Operating Amending Agreement, April 1, 1995, (the Agreements), between the University, the Government of Canada and the Calgary Olympic Development Association ("CODA").

The purpose of the Oval as defined in the Oval Long-term Operating Agreement is to:

- recruit, train and coach High Performance Athletes;
- provide the University with a teaching, training, coaching, research, competition, and recreation facility;
- assist National and Provincial sport associations with their programs for high performance athletes at the Oval;
- assist the University and CODA related sports clubs to recruit, train, coach and compete in high performance sports utilizing the Oval;
- make the Oval available for international, national and regional games, competitions and athletic events; and
- provide the Oval as an accessible sports and recreation facility.

An Olympic Endowment Fund (OEF) was created in December 1987. The distributable income from the fund is used to pay, among other costs, 2/3 of the Base Operating Cost less 2/3 of the Gross Revenue of the Oval and to appropriate to the Oval OEF Reserve 2/3 of the capital renewal provision for the Olympic Oval. This appropriation is held by the Calgary Olympic Development Association. Two thirds of the capital costs related to the Oval are funded out of the Oval OEF Reserve.

2 Significant Accounting Policies and Reporting Practices

These statements have been prepared in accordance with the requirements of the Agreements. The following definitions apply:

a) *Base Operating Costs*

Base operating costs are the aggregate of annual costs and expenses directly applicable to the maintenance, management and operation of the Oval, but exclude the costs of Programming and Capital Renewal Cost. Capital Renewal Costs are expenditures incurred for the repair, upgrading and replacement of Building, Building Equipment and Special Equipment.

b) *Gross Revenue*

Gross revenue is defined as revenue received from the use of the Oval including, without limitation, user fees, concessions, billboard advertising, scoreboard advertising, pro-shop(s), locker rentals, building tours, souvenirs, sponsorships, TV rights, and radio rights except where gross revenues are directly linked to programming or other obligations where those gross revenues have an associated expenditure requirement, then only the net revenue is included.

c) *Funding*

Funding has been calculated in accordance with the agreement (See Note 4). Vacation pay is accrued at year end and funded when vacation is taken.

d) *High Performance Programming*

High performance programming includes the revenue and expenses that are incurred to support nationally carded athletes and those athletes at a developmental level whose training is geared to becoming such an athlete. High performance programming includes the staging of international and national competitions.

d) *Other Programming*

Other programming includes the revenue and expenses that are incurred to support developmental athletes and includes all developmental camps and competitions. Other programming also includes the revenue and expenses for the Olympic Oval Cycling Program.

e) *Reserves*

Reserves have been established for the building and for special equipment. Reserves are calculated in accordance with the agreement (See Note 6).

3 Value in Kind Contributions

The Olympic Oval received services and products (Value in Kind contributions) valued at $197,434 (2007: $194,434). These are recorded at fair value in the current year actual revenues and Value in Kind contributions are not included in the current year budgeted revenues and expenses.

4 Funding

Funding is calculated in accordance with the agreement. The main elements are:

- The University funds 1/3 of the net base operating costs.
- The University funds 1/3 and CODA funds 2/3 of the coaching program deficiency except for the cycling program.
- The University funds 100% of the program deficiency for the cycling program.
- The University is allocated 1/3 of the gross revenue and is required to transfer $100,000 of the gross revenue allocated to the University to fund high performance athletes.
- CODA funds 2/3 of the base operating costs less 2/3 of the gross revenue.

4 Funding (continued)

Funding has been calculated as follows:

University of Calgary	2008	Share	2008 Funding	2007	2007 Funding
	$		$	$	$
Net base operating costs	3,542,708	1/3	1,180,903	2,926,075	975,358
Coaching services program deficiency/(excess)	71,903	1/3	23,968	(56,934)	(18,978)
Cycling program deficiency/(excess)	(7,382)	100%	(7,382)	(2,330)	(2,330)
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	100%	100,000	100,000	100,000
	3,707,229		1,297,489	2,966,811	1,054,050

CODA	2008	Share	2008 Funding	2007	2007 Funding
	$		$	$	$
Net base operating costs	3,542,708	2/3	2,361,805	2,926,075	1,950,717
Coaching serviees program deficiency/(excess)	71,903	2/3	47,935	(56,934)	(37,956)
Cycling program deficiency/(excess)	(7,382)	-	-	(2,330)	-
University of Calgary share of revenue allocated to high performance athletes programming from gross revenue	100,000	-	-	100,000	-
	3,707,229		2,409,740	2,966,811	1,912,761

5 High Performance Programming and Fund Balance

The Olympic Oval High Performance (OOHP) Fund Committee resumed activity during the 2007-2008 fiscal year, under new leadership from Dr. Walter Herzog, Associate Dean Research for the Faculty of Kinesiology. The committee's primary focus is on supporting research initiatives aimed at high performance sport, including but not limited to those high performance sports that the Olympic Oval programs are engaged in. The unexpended portion of the funds is held in an account by the University of Calgary for future distribution by the OOHP Fund Committee.

6 Reserves

The University is required to contribute one-third of the Capital Renewal Provisions for the building and the special equipment reserves, which are defined as follows:

Building Reserve

A reserve established to fund expenditures for repair, upgrading and replacement of Building and Building Equipment by an annual provision of $370,000 subject to adjustment by agreement of the parties escalated annually in proportion to the increase in the Construction Price Index, the aggregate of which cannot exceed $3,000,000 escalated annually in proportion to the increase in the Construction Price Index.

Special Equipment Reserve

A reserve established to fund expenditures for repair, upgrading and replacement of Special Equipment by an annual provision calculated by Calgary Olympic Development Association and the University to maintain a reserve balance of not less than $1,000,000 expressed in 1989-90 dollars, subject to adjustment by agreement of the parties escalated annually in proportion to the Construction Price Index.

The current approximate value of this reserve is $2.1M, with 2/3 of this held by CODA and reflected on their financial statements, and 1/3 of this held by the University of Calgary. Only the portion held by the University of Calgary is reflected in this Statement of Reserves.

The Non-residential Building Construction Price Index for Calgary is used to calculate the annual adjustment required under the Agreements for both reserves. The increase in the index from the prior year is applied to the annual provision for the Building Reserve. The increase in the index is also applied to the 1995-96 value for the Special Equipment Reserve to determine the minimum reserve balance required.

6 **Reserves (continued)**

All capital renewal costs are initially paid for by the Oval. The Calgary Olympic Development Association reimburses the Oval for two-thirds of all capital renewal costs. One-third of the costs are funded by the University.

The University's share of the reserve balances are held by the University of Calgary. These statements reflect only the balance of reserves held by the University.

7 **Coaching Services Program**

The coaching services program includes revenue earned and expenses incurred in providing programming to both high performance and other athletes. Revenue and expenses under this program are classified as high performance when they have been received or incurred to support nationally carded athletes including those that may be at a developmental level. Revenue and expenses incurred to support other athletes have been classified as other programming on the statement of revenue and expense for the coaching services program.

8 **Budget**

The 2007-2008 base operating budget was recommended for approval by the Olympic Endowment Fund Allocations Committee on February 26, 2007.

9 **Approval of Statements**

These statements were approved by management.

UNIVERSITY OF LETHBRIDGE
Financial Statements

For the year ended March 31, 2008

AUDITOR GENERAL *Alberta*

Auditor's Report

To the Board of Governors of the University of Lethbridge

I have audited the statement of financial position of the University of Lethbridge as at March 31, 2008 and the statement of operations, changes in net assets, and cash flows for the year then ended. The financial statements are the responsibility of the management of the University. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

I draw your attention to Note 10 to the financial statements that describes the unfunded liability of the Universities Academic Pension Plan which may affect the University's future financial statements. Our opinion is not qualified in respect of this matter.

Fred J Dunn FCA
Auditor General

Edmonton, Alberta
May 23, 2008

University of Lethbridge

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31
(thousands of dollars)

		2008		2007
ASSETS				
CURRENT ASSETS				
Cash and short-term investments (Note 4)	$	26,035	$	34,978
Accounts receivable		16,675		8,245
Inventories		518		447
Prepaid expenses		1,025		787
		44,253		44,457
DEPOSITS ON CAPITAL ASSETS		1,104		-
INVESTMENTS (Note 3, 5, 6)		116,705		70,180
PLEDGES RECEIVABLE - Long-term portion (Note 7)		3,178		3,358
CAPITAL ASSETS AND COLLECTIONS (Note 8)		231,320		206,855
	$	396,560	$	324,850
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	8,724	$	9,946
Employee benefit liabilities (Note 9)		4,499		4,107
Deferred revenue		4,374		4,441
Deferred contributions, research and other (Note 11)		13,824		11,001
Current portion of long-term obligations (Note 12)		818		430
		32,239		29,925
LONG-TERM LIABILITIES				
Long-term obligations (Note 12)		4,571		4,309
Employee benefit liabilities (Note 9)		7,017		6,343
Deferred contributions, research capital (Note 11)		1,761		573
Deferred contributions, capital (Note 11)		44,662		20,626
		58,011		31,851
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 13)		119,515		99,616
NET ASSETS				
Investment in capital assets and collections		106,416		102,499
Endowments (Note 14)		32,174		24,537
Internally restricted (Note 15)		13,335		17,758
Unrestricted		34,870		18,664
		186,795		163,458
Commitments and Contingencies (Note 21)				
	$	396,560	$	324,850

The accompanying notes are part of these financial statements.

University of Lethbridge

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31
(thousands of dollars)

ASSETS

	2008	2007
CURRENT ASSETS		
Cash and short-term investments (Note 4)	$ 26,035	$ 34,978
Accounts receivable	16,675	8,245
Inventories	518	447
Prepaid expenses	1,025	787
	44,253	44,457
DEPOSITS ON CAPITAL ASSETS	1,104	-
INVESTMENTS (Note 3, 5, 6)	116,705	70,180
PLEDGES RECEIVABLE - Long-term portion (Note 7)	3,178	3,358
CAPITAL ASSETS AND COLLECTIONS (Note 8)	231,320	206,855
	$ 396,560	$ 324,850

LIABILITIES AND NET ASSETS

	2008	2007
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 8,724	$ 9,946
Employee benefit liabilities (Note 9)	4,499	4,107
Deferred revenue	4,374	4,441
Deferred contributions, research and other (Note 11)	13,824	11,001
Current portion of long-term obligations (Note 12)	818	430
	32,239	29,925
LONG-TERM LIABILITIES		
Long-term obligations (Note 12)	4,571	4,309
Employee benefit liabilities (Note 9)	7,017	6,343
Deferred contributions, research capital (Note 11)	1,761	573
Deferred contributions, capital (Note 11)	44,662	20,626
	58,011	31,851
UNAMORTIZED DEFERRED CAPITAL CONTRIBUTIONS (Note 13)	119,515	99,616
NET ASSETS		
Investment in capital assets and collections	106,416	102,499
Endowments (Note 14)	32,174	24,537
Internally restricted (Note 15)	13,335	17,758
Unrestricted	34,870	18,664
	186,795	163,458
Commitments and Contingencies (Note 21)		
	$ 396,560	$ 324,850

The accompanying notes are part of these financial statements.

University of Lethbridge

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

	Original Budget	2008	2007
REVENUE			
Grants	$ 93,438	$ 96,482	$ 86,517
Tuition and related fees	35,155	35,427	34,442
Sales of services and products	13,279	12,655	13,152
Miscellaneous	964	1,211	1,358
Investment income (loss) (Note 16)	12,662	(1,212)	6,265
Gifts and donations	460	701	728
Amortization of unamortized deferred capital contributions (Note 13)	7,000	6,284	6,271
	162,958	151,548	148,733
EXPENSE			
Salaries	93,187	85,448	77,452
Employee benefits	15,108	13,560	12,813
Scholarships, fellowships and bursaries	1,896	2,707	2,252
Supplies and services	7,429	8,202	8,424
Repairs and maintenance	1,646	1,159	1,478
Cost of goods sold	3,213	3,122	3,113
Equipment	3,631	4,270	3,327
Travel	3,167	4,046	3,540
External contracted services	2,400	3,196	3,194
Utilities	3,119	3,063	2,645
Professional fees	549	1,651	1,369
Interest on long term obligations	1,050	570	497
Insurance	984	458	432
Property taxes	254	196	111
Loss (gain) on disposal of capital assets	-	254	(49)
Amortization of capital assets	12,142	12,832	12,305
	149,775	144,734	132,903
EXCESS OF REVENUE OVER EXPENSE	$ 13,183	$ 6,814	$ 15,830

The accompanying notes are part of these financial statements.

University of Lethbridge

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31
(thousands of dollars)

	2008					2007
	Investment in Capital Assets	Endowments	Internally Restricted	Unrestricted	TOTAL	TOTAL
BALANCE, beginning of year	$ 102,499	$ 24,537	$ 17,758	$ 18,664	$ 163,458	$ 136,756
Change in accounting policy (Note 3)		5,260		9,785	15,045	-
As restated	102,499	29,797	17,758	28,449	178,503	136,756
Excess of revenue over expense	-	-	-	6,814	6,814	15,830
Non-amortizable collection and acquisition donations	130	-	-	-	130	51
Endowment contributions	-	1,614	-	-	1,614	8,825
Capitalized investment loss	-	(266)	-	-	(266)	1,996
Transfer to endowments	-	1,439	-	(1,439)	-	-
Capital asset additions	10,433	-	(7,260)	(3,173)	-	-
Net book value of capital asset disposals	(269)	-	-	269	-	-
Amortization	(6,548)	-	-	6,548	-	-
Repayment of long term debt	171	-	-	(171)	-	-
Transfer from endowment	-	(410)	-	410	-	-
Allocation to internally restricted net assets	-	-	2,837	(2,837)	-	-
BALANCE, end of year	$ 106,416	$ 32,174	$ 13,335	$ 34,870	$ 186,795	$ 163,458

The accompanying notes are part of these financial statements.

University of Lethbridge

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)

		2008		2007
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Excess of revenue over expense	$	6,814	$	15,830
Non-cash transactions				
Amortization of unamortized deferred capital contributions		(6,284)		(6,271)
Amortization of capital assets		12,832		12,305
Loss (gain) on disposal of capital assets		254		(49)
Increase in long term employee benefit liabilities		674		175
		14,290		21,990
Increase (decrease) in non-cash working capital (Note 18)		(5,068)		2,580
		9,222		24,570
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:				
Purchase of investments (net)		(31,482)		(16,076)
Capital asset additions				
Internally funded		(10,957)		(17,651)
Externally funded		(26,479)		(15,869)
Collection additions		(4)		(38)
Proceeds on disposal of capital assets		15		185
		(68,907)		(49,449)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:				
Capital contributions		51,412		22,857
Endowment contributions		1,614		8,825
Capitalized investment earnings (loss)		(266)		477
Increase (decrease) in capital construction holdbacks		(1,744)		1,564
Deposit on capital assets		(1,104)		-
Capital lease		524		-
Increase in asset retirement obligation		552		1,085
Decrease (increase) in long-term receivable		180		(3,358)
Long-term obligations repayment		(426)		(122)
		50,742		31,328
INCREASE IN CASH		(8,943)		6,449
CASH AND SHORT-TERM INVESTMENTS, beginning of year		34,978		28,529
CASH AND SHORT-TERM INVESTMENTS, end of year	$	26,035	$	34,978

The accompanying notes are part of these financial statements.

Note 1 Authority and Purpose

University of Lethbridge operates under the *Post-Secondary Learning Act* of the Province of Alberta to provide post-secondary and graduate education and to engage in research and public service. The University is a registered charity, and under section 149 of the *Income Tax Act of Canada*, is exempt from the payment of income tax.

Note 2 Significant Accounting Policies

a) General – GAAP and use of estimates

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, known as GAAP. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. Such estimates have been made using judgments determined by the University's administration. Employee benefit liabilities, amortization of capital assets, amortization of unamortized capital contributions and asset retirement obligations are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

b) Revenue Recognition

The financial statements record the following items as revenue - at the following times:

- Unrestricted contributions - when received, or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- Investment income – earned interest and dividends, realized and unrealized gains and losses.
- Revenues received for services and products - when the services or products are provided.
- Tuition fees - when the instruction is delivered.
- Restricted contributions - based on the deferral method.
- Pledges that can be reasonably estimated and where ultimate collection is reasonably assured are recorded as an asset, with the corresponding amount being recorded as gifts and donations revenue, deferred contributions, deferred capital contributions or endowment as applicable. Pledges are disclosed in Note 7.

Restricted contributions – deferral method

Contributions, including investment income on the contributions, that are restricted for purposes other than endowment or capital asset acquisitions, are deferred and recognized as revenue when the conditions of the contribution are met.

Contributions restricted to the acquisition of capital assets with limited life are recorded as deferred capital contributions when received, and when expended, are transferred to unamortized deferred capital contributions and amortized to revenue over the useful lives of the related assets.

Endowment contributions are recognized as direct increases in endowment net assets. Investment earnings allocated to endowment principal, under agreements with benefactors or the *Post-Secondary Learning Act*, are also recognized as direct increases in endowment net assets. Endowment investment earnings that are allocated for spending are recognized as revenue when the conditions of the endowment are met.

(in thousands of dollars)

Note 2 Significant Accounting Policies (continued)

Contributions restricted to the acquisition of land and permanent collections are recorded as deferred contributions when received, and when expended, are recognized as direct increases in investment in capital assets and collections.

c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at cost.

d) Investments

Investments are initially recorded at their acquisition cost and are subsequently re-measured to fair value at each reporting date. Valuations of publicly traded securities are based on quoted market bid prices at the close of business on the statement of financial position date. For securities where market quotes are not available, estimation techniques are used to determine fair value. Estimation techniques used include discounted cash flows, internal models that utilize observable market data or comparisons with other securities that are substantially the same. Changes in market values from one period to the next are included in the investment income (loss) for the period (Note 16).

e) Capital Assets and Collections

Capital assets purchased are recorded at cost. In-kind contributions are recorded at fair market value when a fair value can be reasonably determined.

Capital assets, once placed into service, are amortized on a straight-line basis over the assets' estimated useful lives. The estimated useful lives are as follows:

Land improvements	10-25 years	Computer equipment	3-5 years
Buildings – Exterior	40 years	Electrical equipment	20 years
Buildings – Interior	20 years	Software	3-5 years
Leasehold improvements	15 years	Vehicles	6 years
Furnishings and equipment	5-10 years	Learning resources	10 years

Permanent collections are not amortized and consist of works of art.

f) Pension and Other Employee Future Benefit Plans

The University participates in the Universities Academic Pension Plan and the Public Service Pension Plan. These pension plans are multi-employer defined benefit plans that provide pensions for the University's participating employees based on years of service and earnings. Defined contribution plan accounting is applied to these pension plans as the University has insufficient information to apply defined benefit plan accounting. Pension costs included in these financial statements comprise the amount of employer contributions required for its employees during the year, based on rates that are expected to provide for benefits.

The actuarial determination of the accrued benefit obligations for other employee future benefits uses either the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors) or the accumulated benefit method where future salary levels or cost escalations do not affect the amount of employee future benefits.

Actuarial gains (losses) arise from experience different from that assumed or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the benefit obligation is amortized over the average remaining service period of active employees. The average remaining service of the

Note 2 Significant Accounting Policies (continued)

active employees covered by the non-pension employee future benefit plans ranges from one to seven years.

g) Contributed Services

Volunteers and University staff contribute services each year to assist the University in achieving its mandate. The financial statements do not record the value of these services.

h) Asset Retirement Obligation

The discounted present value of a liability for an asset retirement obligation is recognized in the period incurred if a reasonable estimate of fair value can be made.

Upon initial recognition of an asset retirement obligation, the same amount is recognized as an increase in the carrying amount of the related asset. The asset retirement cost is allocated to expense over its estimated useful life or as the cost of retiring the asset is incurred, if applicable.

i) Financial Instruments

On April 1, 2007, the University adopted retrospectively without restatement the provisions of CICA handbook section 3855 "Financial Instruments, Recognition and Measurement" and section 3861 "Financial Instruments – Disclosure and Presentation".

This new standard requires the University to revalue certain financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value on the initial date of implementation and at each subsequent report date.

The new standard also requires the University to classify financial assets and liabilities according to their characteristics. Classification choices for financial assets include:

a) held for trading (HFT) – measured at fair value with changes in fair value recorded immediately in the statement of operations;

b) held to maturity (HTM) – recorded at amortized cost with gains and losses recognized in the statement of operations when the asset is derecognized;

c) available for sale (AFS) – measured at fair value with changes in fair value recorded separately in net assets until asset is derecognized; and

d) loans and receivables – recorded at amortized cost with gains and losses recognized in statement of operations when the asset is derecognized.

Classification choices for financial liabilities include:

a) held for trading (HFT) – measured at fair value with changes in fair value recorded immediately in the statement of operations;

b) other liabilities – recorded at amortized cost with gains and losses recognized in statement of operations when the liability is derecognized.

Note 2 Significant Accounting Policies (continued)

j) Financial Instruments (continued)

In accordance with the new standard, the University's financial assets and liabilities are classified and measured as follows:

F/S Components	Classification	Measurement
Cash and cash equivalents	HFT	Fair Value
Investments	HFT	Fair Value
Accounts receivable	Loans and Receivables	Amortized cost
Other long-term assets	Loans and Receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost
Long-term liabilities	Other liabilities	Amortized cost

Other balance sheet accounts such as inventories, prepaid expenses, capital assets and collections, deferred revenue, deferred contributions - research and other, deferred capital contributions, unamortized deferred capital contributions, and all the components of net assets have not been classified as they are not within the scope of the new accounting standards.

The University's financial instruments are recognized on their trade date and fair values have been recorded for all assets in transit. Transaction costs related to all financial instruments are expensed as incurred.

The University does not use foreign currency forward contracts or any other type of derivative financial instruments for trading or speculative purposes. As permitted for Not-for-Profit Organizations under the standard, the University has elected to not apply the standards on non-financial contracts or derivatives embedded in non-financial contracts, leases and insurance contracts.

Note 3 Accounting Policy Developments

a) Effects of measurement from adopting Section 3855

The new standards were applied retrospectively without restatement of prior periods. The transitional impact of the new standards on relevant items in the University's opening Statement of Financial Position on April 1, 2007 is an increase in Investments of $15,045, an increase in Endowment Net Assets of $5,260 and an increase in Unrestricted Net Assets of $9,785.

Investments have been recorded at fair market value. These financial instruments were revalued based on known market prices at April 1, 2007.

b) Effects of disclosure from adopting Section 3861

Financial statements are exposed to risk through the normal course of operations. These risks are managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures. These risks include:

Market Risk
The University is subject to market risk, foreign currency risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the University has established a target mix of investments types designed to achieve the optimal returns within reasonable risk tolerances.

Note 3 Accounting Policy Developments (continued)

Liquidity Risks
The University maintains a short-term line of credit with the Bank of Montreal that is designed to ensure sufficient available funds to meet current and forecasted financial requirements as cost effectively as possible. As at March 31, 2008 the University had committed borrowing facilities of $5 million, none of which had been drawn.

Credit Risk
The credit risk for accounts receivable is relatively low as the majority of balances are due from government agencies and corporate sponsors. Credit risk from tuition is managed through restricting enrollment activities for students with delinquent balances and maintaining standard collection procedures.

Interest Rate Risk
Interest rate risk is the risk to the University's earnings that arise from the fluctuations in interest rates and the degree of volatility of these rates.

Commodity Price Risk
The University is exposed to commodity price risk as a result of substantial electricity and natural gas usage required to operate the institution's facilities. To mitigate these risks, the University has entered into a five year fixed price electricity contract that commenced
January 1, 2006.

c) **Future changes in accounting policies**

The CICA issued four new accounting standards:
Section 1535, Capital Disclosures -establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital.

Section 3862, Financial Instruments-Disclosures and Section 3863, Financial Instruments-Presentation - replace section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in fiscal years beginning on or after October 1, 2007. The University will begin application of these sections effective April 1, 2008.

Section 3031, Inventories – establishes measurement, cost and disclosure requirements about for an entities inventory. The purpose will be to provide more extensive guidelines on allocating overheads and other costs to inventory, streamlining with international standards, and enhance disclosures in the financial statements. The University will begin application of this section effective April 1, 2008, as applicable.

NOTES TO THE FINANCIAL STATEMENTS
(in thousands of dollars)

Note 4 Cash and Short-term Investments

Cash and short-term investments are invested in high quality Canadian money market instruments. The carrying value of cash and short-term investments approximate fair value.

	2008 Cost	Effective Yield	2007 Cost	Effective Yield
Cash and cash equivalents	$ 26,035	6.03%	$ 17,278	3.95%
Treasury bills	-	-	16,032	4.20%
Bonds	-	-	1,668	4.30%
	$ 26,035		$ 34,978	

Short-term investments are held on average for less than one year and bonds are held on average less than two years.

Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Note 5 Investments

The long-term investment portfolio includes endowment assets as well as the portion of non-endowment assets that will not be required for spending in the short-term. The primary objective of this portfolio is a rate of return that, in real terms, exceeds the endowment spending allocation at an acceptable risk level.

	2008		2007		
	Annual Market Yield	Market Value	Annual Market Yield	Book Value	Market Value
Cash and cash equivalents	3.74%	$ 22,463	3.98%	$ 12,053	$ 12,050
Bonds	4.32%	31,839	4.40%	21,965	22,556
Canadian equity	-0.20%	36,999	13.80%	14,079	24,709
Foreign equity	-12.70%	25,269	19.90%	21,358	25,184
Other investments		135		725	725
		$ 116,705		$ 70,180	$ 85,224

Bond investments must have a rating of BBB-plus or better and the short-term portfolio must be rated at least R-1, mid (or equivalent) as per the Dominion Bond Rating Service.

Cash and cash equivalents are held for less than one year and government and corporate bonds currently hold terms to maturity ranging from less than 1 year to more than 39 years.

(in thousands of dollars)

Note 6 Interest in Joint Venture

The University has a one-third joint venture interest in Campus Alberta Applied Psychology: Counselling Initiative. Three Alberta universities formed the joint venture to develop and deliver a Collaborative Alberta Graduate Counselling Program. On January 1, 2008 the terms of this relationship were substantively modified and a new decentralized administrative and operational structure was established. The joint venture was terminated and the equity was distributed on January 1, 2008.

The University's equity in the accumulated earnings of the joint venture at March 31, 2007 of $597 is included in Other Investments (Note 5).

At March 31, 2008 the University's share of the joint venture's assets and liabilities are:

	2008	2007
Current assets	$ -	$ 647
Capital assets	-	2
	$ -	$ 649
Current liabilities	$ -	$ 50
Unamortized deferred capital contributions	-	1
Investment in capital assets	-	1
	-	52
Joint venture interest		
Opening balance	597	316
Net Distribution	(708)	(101)
Excess of revenue over expense	111	382
	-	597
	$ -	$ 649

Note 7 Pledges Receivable

	2008	2007
1st Choice Savings and Credit Union Ltd.	$ 2,100	$ 2,250
University of Lethbridge students	2,317	2,500
	4,417	4,750
Discount to present value	(889)	(992)
Current portion included in accounts receivable	(350)	(400)
	$ 3,178	$ 3,358

The 1st Choice Savings and Credit Union Ltd. is the naming sponsor for the 1st Choice Savings Centre for Sport and Wellness and is contributing a total of $2,250 over a 15-year period. University of Lethbridge students are contributing $2,500 towards the construction of the 1st Choice Savings Centre for Sport and Wellness, to be collected over a period of approximately 11 years. These contributions have been discounted to their present value using market interest rates. The revenue from these contributions will be recognized in the financial statements as the building is amortized. The discount on the contributions will be recognized in future years as interest income.

In addition to the pledges above, there is $4,186 (2007 - $4,340) for capital projects and scholarships that have not been recorded in the financial statements.

(in thousands of dollars)

Note 8 Capital Assets and Collections

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Buildings and land improvements	$ 254,360	$ 79,747	$ 174,613	$ 224,351	$ 73,359	$ 150,992
Equipment and furnishings	57,230	43,561	13,669	54,880	41,362	13,518
Library materials	28,573	20,071	8,502	27,008	18,794	8,214
Capital assets subject to amortization	340,163	143,379	196,784	306,239	133,515	172,724
Land	913		913	638		638
	341,076	$ 143,379	197,697	306,877	$ 133,515	173,362
Permanent collections	33,623		33,623	33,493		33,493
Capital assets and collections	$ 374,699		$ 231,320	$ 340,370		$ 206,855

Included in buildings and land improvements is $17,743 (2007 - $9,310) recorded as construction in progress, which is not amortized as the assets are not yet available for use.

Assets under capital leases are included in buildings and land improvements in the amount of $996 and land in the amount of $275.

Acquisitions during the year included in-kind contributions (such as learning resources and equipment) in the amount of $376 (2007 - $725).

Note 9 Employee Benefit Liabilities

	2008	2007
Vacation and overtime pay	$ 3,439	$ 3,128
Maternity and parental leaves	129	111
Other payroll liabilities	152	134
Early retirement benefit plans	250	343
Senior administrative leaves	5,576	5,064
Supplementary benefit plan	1,490	1,199
Long-term disability benefits	481	471
	11,517	10,450
Less current portion	(4,499)	(4,107)
	$ 7,018	$ 6,343

Note 10 Pension and Other Employee Future Benefit Plans

The University has a number of defined benefit plans that provide pension, other retirement and post-employment benefits to most of its employees. These include the Early Retirement Plan, the Senior Administrative Leave Plan, Long-Term Disability Plans and pension plans. In addition, the University provides a supplementary benefit plan to some employees, which is accounted for as a defined contribution plan.

The Early Retirement Plan pays a fixed amount annually based on the salary and benefits in effect for each member at the date of retirement. This plan is closed to new members and no future service benefits are being accrued.

The Senior Administrative Leave Plan provides for certain senior administrators to accrue an entitlement to a leave of absence, for the purpose of professional development, at the end of their service in an

(in thousands of dollars)

Note 10 Pension and Other Employee Future Benefit Plans (continued)

administrative position. Upon leaving the post, the member's salary and benefits in effect at the end of the service are paid for the duration of the leave and are indexed at a rate determined by the University.

The Long-Term Disability Plans provide pension and non-pension benefits after employment, but before retirement. The University pays for the non-insured portion of the disability benefits.

The Supplementary Benefit Plan provides a termination benefit to certain employees over and above the benefits provided by the Universities Academic Pension Plan. The University contributes annually to the Supplementary Benefit Plan based on the employee's salary. Each employee's account is also adjusted annually by the realized rate of return on the University's long-term investments.

Total cash payments for employee future benefits for 2008, consisting of cash payments directly to beneficiaries for unfunded benefit plans and cash contributed to its multi-employer defined benefit plans, were $7,279 (2007 - $6,794).

a) Benefit Plans

The University measures its accrued benefit obligations for accounting purposes as at March 31 of each year. The most recent actuarial valuation of the employee future benefit plans was performed as of March 31, 2008.

The benefit plan obligations are as follows:

	2008				2007			
	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Accrued benefit obligation:								
Balance, beginning of year	$ 1,199	$ 343	$ 5,064	$ 676	$ 921	$ 560	$ 4,839	$ 588
Current service cost	272	-	827	63	238	-	793	61
Past service cost	-	-	-	-	20	-	-	-
Interest cost	54	13	253	31	48	16	189	21
Benefits paid	(35)	(108)	(518)	(117)	(28)	(229)	(489)	(97)
Actuarial loss (gain)	-	2	(50)	7	-	(4)	(268)	103
Balance, end of year	1,490	250	5,576	660	1,199	343	5,064	676
Plan assets	-	-	-	-	-	-	-	-
Funded status - plan deficit	1,490	250	5,576	660	1,199	343	5,064	676
Unamortized net actuarial gain (loss)	-	-	-	(179)	-	-	-	(205)
Accrued benefit liability	$ 1,490	$ 250	$ 5,576	$ 481	$ 1,199	$ 343	$ 5,064	$ 471

The significant actuarial assumptions adopted in measuring the University's accrued benefit obligations are as follows:

	2008				2007			
	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan	Supplementary Benefit Plan	Early Retirement Plan	Senior Administrative Leave	Long-Term Disability Plan
Discount rate	n/a	5.25%	5.25%	5.25%	n/a	4.50%	4.50%	4.50%
Rate of compensation increase	n/a	n/a	6.00%	5.00%	n/a	n/a	6.00%	5.00%
Assumed benefit cost trend rates:								
Pension contributions	n/a	n/a	n/a	5.00%	n/a	n/a	n/a	5.00%
Benefits	n/a	n/a	4.50%	4.50%	n/a	4.50%	4.50%	4.50%
Average remaining service period of active employees	7 years	2 year	5 years	4 years	7 years	1 years	5 years	4 years

(in thousands of dollars)

b) Pension plans

At December 31, 2007, the UAPP reported an actuarial deficiency of $535,843 (2006 - $409,128) consisting of a pre-1992 deficiency of $501,300 and a post-1991 deficiency of $34,543. An actuarial valuation of the UAPP was carried out as at December 31, 2006, and was then extrapolated to December 31, 2007. The unfunded liability for service prior to January 1, 1992, is financed by additional contributions of 1.25% (2006 – 1.25%) of salaries by the Province of Alberta. Employees and employers equally share the balance of the contributions of 2.28% (2006 – 2.28%) of salaries required to eliminate the unfunded liability by December 31, 2043. The actuarial evaluation shows that the present value at December 31, 2006, of the Province of Alberta's obligation for the future additional contributions was $213,900. The unfunded liability for service after December 31, 1991, is financed by special payments of 2.64% (2006 - 2.64%) of salaries shared equally between employees and employers until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018, and continue until December 31, 2019. At March 31, 2008, the University's share of total payroll, upon which contributions are based, was 8.8%.

Changes are being contemplated for the UAPP which may substantially alter the underlying assumptions used to estimate the plan's actuarial deficiency or surplus. The outcome of these changes is unknown at this time; however they could have a material effect on the University's future financial statements.

Under GAPP, the UAPP and the University are required to report pension related matters in accordance with the recommendations of different CICA handbook sections. The UAPP actuarial funding deficiency of $535,843 is reported under CICA 4100: *Pension Plans*. The University has used the best information available to estimate the unfunded deficiency under defined benefit pension accounting recommendations in CICA 3461: *Employee Future Benefits*. The estimated unfunded deficiency calculated using the CICA 3461methodology is approximately $975 million for the entire UAPP, as extrapolated to March 31, 2008. The University estimated its share of this deficiency by prorating the total employers' share by the University's percentage of the total payroll costs of the plan. The University's estimated share of the unfunded UAPP deficiency under CICA 3461, given significant measurement uncertainty in the methodology and assumptions used, is approximately $32 million.

Note 11 Deferred Contributions

Deferred contributions represent unspent externally restricted grants and donations. Changes in the deferred contributions balances are as follows:

	2008			2007
	Capital	Research and Other	Total	Total
Balance, beginning of year	$ 20,625	$ 11,574	$ 32,199	$ 21,354
Grants and donations received	46,329	19,688	66,017	38,073
Investment income on deferred capital funds	962	-	962	24
Recognized as revenue (loss)	40	(11,600)	(11,560)	(10,910)
Transfer to endowments	-	(1,184)	(1,184)	(1,519)
Non-amortizable collection additions	(4)	-	(4)	(38)
Transferred to unamortized deferred capital contributions (Note 13)	(23,290)	(2,893)	(26,183)	(14,784)
Balance, end of year	44,662	15,585	60,247	32,200
Less amounts included in current liabilities	-	(13,824)	(13,824)	(11,001)
	$ 44,662	$ 1,761	$ 46,423	$ 21,199

(in thousands of dollars)

Note 12 Long-Term Obligations

	Rate of Interest	Original Advance	Amount Outstanding 2008	Amount Outstanding 2007
Alberta Capital Finance Authority debenture for student residences, due April 15, 2023	6%	$ 4,000	$ 3,524	$ 3,654
Asset retirement obligation			1,382	1,085
Capital lease			483	-
			5,389	4,739
Current portion			(818)	(430)
			$ 4,571	$ 4,309

Debenture principal and interest repayments are as follows:

	Principal	Interest	Total
2009	$ 137	$ 212	$ 349
2010	146	203	349
2011	154	195	349
2012	164	185	349
2013	173	176	349
2014 to maturity	2,750	1,086	3,836
	$ 3,524	$ 2,057	$ 5,581

The debenture is secured by cash flows generated from the Residence Park, Aperture Park and University Hall residences. Interest on the debenture of $212 was charged to expense in fiscal 2008 (2007 - $220).

The asset retirement obligation represents the estimated present value of the legal obligation associated with the removal of asbestos from University Hall.

Reconciliation of the asset retirement obligation:

March 31, 2007 beginning balance	$ 1,085
Liabilities settled during the period	(290)
Accretion expense	35
Increase to estimated cash flows	552
March 31, 2008 ending balance	$ 1,382

Estimating the liability requires judgment by University administration related to the amount of work required to remove the asbestos, the cost of the work and inflationary increases over the term of the obligation. Costs are expected to be incurred over the next four fiscal years, with an undiscounted value of approximately $1.5 million. The credit-adjusted risk-free rate used for discounting the liability was 3.2%.

The asset retirement obligation will reduce as the asbestos is removed from the building and amortized through the statement of operations. Further costs of removing asbestos cannot be reasonably estimated at this time, but will be recorded in the period in which there is sufficient information to estimate fair value.

(in thousands of dollars)

Note 13 Unamortized Deferred Capital Contributions

Unamortized deferred capital contributions represent the unamortized grants and donations received to fund capital acquisitions. The amortization of unamortized deferred capital contributions is recorded as revenue in the statement of operations. The changes in the unamortized deferred capital contributions balance are as follows:

	2008	2007
Balance, beginning of year	$ 99,616	$ 91,103
Additions from deferred contributions (Note 11)	26,183	14,784
Amortization to revenue	(6,284)	(6,271)
Balance, end of the year	$ 119,515	$ 99,616

Note 14 Endowments

Endowments consist of:

- Internal allocations by the Board of Governors (internally restricted).
- Restricted donations to the University - the principal must be maintained intact in perpetuity (externally restricted).

The investment income earned on internally restricted endowments is used to fund scholarship endowments as directed by Board of Governors resolutions. The purpose of the internally restricted endowments cannot be changed without approval of the Board of Governors.

Investment income earned on endowments must be used in accordance with the various purposes established by the donors or the Board of Governors. Benefactors as well as University policy stipulate that the economic value of the externally restricted endowments must be protected by limiting the amount of income that may be expended and reinvesting unexpended income.

Under the *Post-Secondary Learning Act*, the University has the authority to alter the terms and conditions of externally restricted endowments to enable:

- income earned by the endowment to be withheld from distribution to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment.
- encroachment on the capital of the endowment to avoid fluctuations in the amounts distributed and generally to regulate the distribution of income earned by the endowment if, in the opinion of the Board of Governors, the encroachment benefits the University and does not impair the long-term value of the fund.

If, in any year, the investment income earned on endowments is insufficient to fund the spending allocation, the spending allocation is funded from the cumulative capitalized income. However, for individual endowment funds without sufficient cumulative capitalized income, endowment principal is used in that year. This amount is expected to be recovered by future investment income.

(in thousands of dollars)

Note 14 Endowments (continued)

	2008			2007		
	Externally restricted	Internally restriced	Total	Externally restricted	Internally restriced	Total
Cumulative contributions	20,025	2,672	22,697	18,810	1,342	20,152
Cumulative capitalized earnings	9,026	451	9,477	4,031	354	4,385
	$ 29,051	$ 3,123	$ 32,174	$ 22,841	$ 1,696	$ 24,537

As a result of an accounting policy change, the University has capitalized unrealized gains of $5,260.

During the 2008 year, the investment loss on externally restricted endowments of $265 was charged to endowment funds and $313 was transferred from endowments to Unrestricted Net Assets to fund approved net endowment spending. During the 2007 year, the University capitalized $1,842 of income related to externally restricted endowments.

The Board of Governors approved the permanent endowment of the Graduate Studies Fellowship and John Gill Memorial and transferred $1,342(2007- $0) from unrestricted net assets to externally restricted endowments.

Note 15 Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the Board of Governors for specific needs such as one-time expenditures for increasing efficiency, reducing costs, construction or providing for contingencies.

	2008	2007
OPERATING		
Staff training and development	$ -	$ 27
Academic development	49	238
Campus planning studies	55	160
Utilities contingency - rate increases	55	55
Program development	88	295
	247	775
CAPITAL		
Capital replacement - Ancillary Services	3,207	3,165
Housing Services - residences	447	698
Buildings, plant, capital equipment [(1)]	8,513	12,347
Site and utilities	73	72
Utility conservation	157	275
Self insurance	208	232
Parking	447	97
Service vehicles and equipment	36	97
	13,088	16,983
	$ 13,335	$ 17,758

[(1)] The Board of Governors set aside $8,483 for funding of capital projects in 2008 (2007 - $10,700).

(in thousands of dollars)

Note 16 Investment Income

	2008	2007
Income on investments held for endowments		
Externally restricted	$ (265)	$ 862
Internally restricted	97	84
	(168)	946
Income (loss) from other investments	(18)	5,884
Total investment income (loss)	(186)	6,830
Amounts allocated to deferred contributions	(1,291)	(88)
Income capitalized to endowment principal	265	(477)
Total investment income recognized as revenue	$ (1,212)	$ 6,265

The accounting policy change made during 2008 for Financial Instruments resulted in a change in the values attributed to investment earnings. Realized earnings of $8,950 have been offset by unrealized losses of $9,136, netting to a total investment loss of $186 in 2008.

Note 17 Salaries and Employee Benefits

A Treasury Board Directive under the Financial Administration Act of the Province of Alberta requires the disclosure of certain salary and employee benefit information.

	2008				Restated 2007[7]
	Base Salary [1]	Other Cash Benefits[2]	Other Non-Cash Benefits[3]	Total	Total
Chairman of Board [4]	$ -	$ -		$ -	$ -
Board Members[4]	-	-		-	-
President	315	30	89	434	408
Executive/Vice Presidents					
Vice President (Academic) [5]	227	12	71	310	319
Vice President (Finance & Administration)	236	-	46	282	249
Vice President (Research)	194	-	34	228	211
Vice President (University Advancement)	155	-	39	194	168
Administrative leave benefit [8]					
President				81	63
Vice President (Academic)				101	71
Vice President (Finance & Administration)				64	24
Vice President (Research)				67	39
Vice President (University Advancement) [9]				-	-

(1) Salary includes pensionable base pays

(2) Housing allowance

(in thousands of dollars)

Note 17 Salaries and Employee Benefits (continued)

(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, extended health benefits, group life insurance, long-term disability plans, professional memberships, supplementary benefit plan (as per note 6 below) and professional supplement allowance.

(4) The Chairman and members of the Board of Governors receive no remuneration for participation on the Board.

(5) Two individuals held the position in the current year.

(6) Under the terms of the supplementary benefit plan (SBP), certain senior executive officers will receive supplemental retirement payments. The costs detailed below are not cash payments in the period but are period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide a payment at termination of employment with the University. The SBP is a defined contribution plan. The University contributes annually to the SBP based on the employee's salary and this benefit earns interest at the annual realized rate of return on the University's long-term investments. The interest accrued on benefit obligations is equal to the realized earnings rate on the University's long-term investments of 4.18% in 2008 (2007 - 4.71%).

SUPPLEMENTARY BENEFIT PROGRAM

	2008			2007
	Current Service Cost	Interest Accrued	Total	Total
Chairman of Board	$ -	$ -	$ -	$ -
President	48	9	57	53
Executive/Vice Presidents				
Vice President (Academic)	11	2	13	25
Vice President (Finance & Administration)	12	2	14	11
Vice President (Research)	7	1	8	7
Vice President (University Advancement)	3	-	3	2

The accrued obligation for each executive under the Supplementary benefit program is outlined in the following table:

	Accrued obligation March 31, 2007	Changes in accrued obligation	Accrued obligation March 31, 2008
Chairman of Board	$ -	$ -	$ -
President	184	57	241
Executive/Vice Presidents			
Vice President (Academic)	144	(133)	11
Vice President (Finance & Administration)	48	14	62
Vice President (Research)	28	9	37
Vice President (University Advancement)	3	4	7

(7) The 2007 comparatives have been restated due to an error in summarizing other non-cash benefit information for note disclosure purposes and caused balances to be overstated.

(8) Administrative leaves are accrued for certain executive officers at a rate of one month for every five months served. If the leave is granted, all salaries and benefits excluding any housing allowances are paid on a monthly basis over the duration of the leave. Cash payments in lieu of administrative leave

(in thousands of dollars)

Note 17 Salaries and Employee Benefits (continued)

are not permitted, nor is it possible under Board policy to work for another institution or organization while on leave. Normally, administrative leave is taken immediately after leaving office. The cost of these benefits is actuarially determined using the projected benefit method pro-rated on service, a discount rate based on market interest rates and management's best estimates of salary and benefit increases to the assumed retirement or termination date. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. The amounts shown include current and prior service costs.

(9) The position does not accrue administrative leave.

Note 18 Change in Non-Cash Working Capital

	2008	2007
Accounts receivable	$ (8,540)	$ (2,350)
Inventories	(71)	(15)
Prepaid expenses	(238)	(122)
Accounts payable and accrued liabilities	(1,112)	855
Employee benefit liabilities	392	(549)
Deferred revenue	(68)	434
Deferred contributions	2,823	4,327
Increase (decrease) in non-cash working capital	$ (6,814)	$ 2,580

Note 19 Related Party Transactions

The University of Lethbridge is a Provincial Corporation as all members of the Board of Governors are appointed either by statute or by a combination of orders by the Lieutenant Governor in Council and the Minister of Advanced Education and Technology. Transactions between the University and the Province of Alberta are disclosed as follows:

	2008	Restated 2007
Advanced Education and Technology	$ 127,276	$ 92,456
Alberta Tourism, Parks, Recreation and Culture	2,000	-
Alberta Heritage Foundation for Medical Research	531	590
Alberta Education	420	555
Alberta Gaming	305	410
Alberta Cancer Board	290	320
Other	391	327
Total contributions received	131,213	94,658
Less: Deferred contributions	(44,782)	(17,116)
Revenue from provincial government	$ 86,431	$ 77,542

Restricted grants are recognized as revenue in the period in which the related expenses are incurred.

The University of Lethbridge has accounts receivable from the Province of Alberta of $4,765 (2007 - $2,839).

Note 19 Related Party Transactions (continued)

In 2007 and 2008 the University participated in offering certain courses with other public colleges, universities and institutes. The revenues and expenses incurred for these courses have been included in the statement of operations but have not been separately disclosed.

The University owns 90% of the common shares in Alberta Terrestrial Imaging Corp. (ATIC), a company formed in June 2005 to provide satellite imagery to Canadian academic markets. The University has one-third of the voting control of ATIC and accounts for its investment in the company using the equity method. At March 31, 2008 the University had a loan receivable from ATIC of $968 (2007 - $533) resulting from paying certain operating expenses on ATIC's behalf. These amounts are included in the University's statement of financial position as accounts receivable.

Note 20 Scholarships and Bursaries

In addition to the amount recognized, scholarships and bursaries totaling $2,437 (2007 - $2,122) were awarded to 1,756 (2007 - 1,577) University of Lethbridge students through the Alberta Scholarship Program. These amounts are not included in the financial statements.

Note 21 Commitments and Contingencies

a) The University, in the conduct of its normal activities, is a defendant in a number of legal proceedings. While the ultimate outcome of these proceedings cannot be reasonably estimated at this time, the University believes that any settlement will not have a material adverse effect on the financial position or the results of operations of the University. Administration has concluded that none of the claims meet the criteria for being recorded under GAAP.

b) The University is one of fifty-six members of CURIE, the Canadian Universities Reciprocal Insurance Exchange, a self-insurance reciprocal established to share the insurable property, liability and errors and omissions risks of member universities. The projected cost of claims against the exchange is based on actuarial projections and is funded through members' premiums. As at December 31, 2007 CURIE had a surplus of $16,825 (2006 - $16,507). This surplus is an accumulation of four different underwriting periods. The University participates in three of these underwriting periods, which have an accumulated surplus of $13,737 as of December 31, 2007 (2006 - $13,517). The University held a 1.04% share in CURIE at December 31, 2007 and this is not recorded in the financial statements.

c) The University leases teaching facilities in Edmonton and Calgary. In fiscal 2008 basic rent on the property in Edmonton totaled $146 (2007 - $90), and occupancy costs were $181 (2007 - $130). A renewable five-year lease on this property began July 1, 2007. The new lease includes a 46% increase in the amount of space rented due to expansion requirements. Under the new lease, annual basic rent will start at $122 and increase by 3% each year thereafter, and occupancy costs will start at $180 and increase at a rate of 5% per year. The lease in Calgary is negotiated each year. In fiscal 2008 the lease costs on facilities in Calgary totalled $110 (2007 - $101). Lease costs are expected to increase to $165 in fiscal 2009 due to rising rental costs and additional space requirements.

d) In order to manage its exposure to the volatility in the electrical industry, the University has entered into two contracts to fix its electrical cost at an average of $.055 per KWh, one of which expires on December 31, 2010 and the other on May 31, 2016. The total cost of electrical power for the year ending March 31, 2009 is expected to be $1,597. The cost of electricity included in these statements for fiscal 2008 is $1,890 (2007 - $1,569).

Note 21 Commitments and Contingencies (continued)

e) As at March 31, 2008, the University had contractual commitments payable in subsequent years that total $13,479 (2007 - $12,064) related to various capital projects. The most significant of these commitments are for the Alberta Water and Environmental Science building ($7,647), the Stadium and Sports Field Complex ($2,998), and the Markin Hall for Health Sciences and Management ($1,878). These commitments are not recorded in the financial statements.

f) Under agreements and/or contracts with a number of employee groups, the University provides Professional Supplement funds for activities related to teaching, research, professional development or general University-related duties. At March 31, 2008 approximately $1,433 (2007 - $1,211) of such allowances is committed for expenses not yet incurred.

g) The University of Lethbridge has entered into a 10 year lease commencing February 26, 2003 of public land for the purpose of conducting research. The terms of the agreement obligate the University to reclaim all disturbed land surfaces to their original state within two growing seasons. The full impact and associated costs cannot be reasonably estimated at this time.

Note 22 Deferred Maintenance

Deferred maintenance on University facilities is estimated at $118,846 based on a facility condition audit completed by the University in 2007. Advanced Education and Technology provided $25,915 in capital grants to address deferred maintenance projects and the unexpended revenue to date is $23,174. A liability for deferred maintenance is not included in these financial statements.

Note 23 Comparative Figures

Certain 2007 figures have been reclassified to conform to 2008 financial statement presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board of Governors following the recommendation of the Audit Committee.

THE BANFF CENTRE FOR CONTINUING EDUCATION
Financial Statements

For the year ended March 31, 2008

Financial Statements of

THE BANFF CENTRE FOR CONTINUING EDUCATION

March 31, 2008 and 2007

Deloitte.

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Auditors' Report

To: The Board of Governors of
The Banff Centre for Continuing Education:

We have audited the statements of financial position of **The Banff Centre for Continuing Education** as at March 31, 2008 and 2007 and the statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
May 30, 2008

Deloitte & Touche LLP

Chartered Accountants

THE BANFF CENTRE FOR CONTINUING EDUCATION

Statement of Financial Position
As at March 31, 2008
(in thousands of dollars)

	As at March 31, 2008	As at March 31, 2007
Assets		
Current assets		
Cash	$ 1,251	$ 317
Short-term investments (Note 4)	29,103	24,761
Accounts receivable	6,380	3,420
Pledges receivable	8,109	2,244
Inventories	432	385
Prepaid expenses	163	280
	45,438	31,407
Notes receivable and deferred charge (Note 3)	687	693
Long-term pledges receivable (Note 17)	11,599	9,094
Endowment and other investments (Notes 4 and 17) (2008 cost $13,189; 2007 market value $11,531)	13,507	10,371
Capital assets and collections (Note 5)	78,864	68,543
	$ 150,095	$ 120,108
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,989	$ 2,803
Accrued vacation pay	1,282	1,257
Unearned revenue and deposits (Note 6)	1,709	1,690
Deferred contributions (Note 7)	4,402	2,929
Current portion of long-term debt (Note 9)	277	2,642
	10,659	11,321
Long-term debt (Note 9)	2,088	1
Employment related liabilities	464	344
Long-term deferred contributions (Notes 7 and 17)	46,708	32,946
Deferred expended capital contributions (Note 8)	61,716	51,334
	121,635	95,946
Net assets		
Unrestricted	244	(771)
Investment in capital assets and collections (Note 10)	14,778	14,562
Endowment (Notes 11 and 17)	13,438	10,371
	28,460	24,162
	$ 150,095	$ 120,108

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Statement of Operations and Changes in Net Assets
For the year ended March 31, 2008
(in thousands of dollars)

	Year Ended March 31, 2008	Year Ended March 31, 2007
Revenue		
Accommodations	$ 14,715	$ 13,703
Grants (Note 13)	18,060	15,822
Other sales, rentals and services	9,149	6,964
Tuition and related fees	5,319	5,252
Donations and other contributions	3,792	3,782
Investment income	718	528
Amortization of deferred expended capital contributions	1,313	1,294
	53,066	47,345
Expense		
Salaries, wages and benefits (Note 14)	27,490	25,223
Purchased services	3,173	2,695
Materials, goods and supplies	4,689	4,169
Scholarships and financial assistance	3,768	3,740
Facility operations and maintenance	4,208	2,190
Utilities	1,600	1,504
Travel, training and related costs	1,704	1,596
Rentals and equipment	1,202	1,183
Marketing and promotion	835	666
Financial costs	573	526
Amortization of capital assets	2,590	2,511
Loss on disposal of capital assets	3	-
	51,835	46,003
Excess of revenue over expense	1,231	1,342
Internally designated funds for endowment and capital acquisitions	(204)	(141)
Excess of revenue over expense, net of transfers	1,027	1,201
Net assets, beginning of year	24,162	20,617
Accounting change (Note 17)	1,160	-
Endowment contributions and other transfers	2,386	1,539
Endowment earnings retained in the fund	363	690
Endowment unrealized depreciation	(842)	-
Internally designated funds for capital acquisitions	204	115
Net assets, end of year	$ 28,460	$ 24,162

The accompanying notes are an integral part of these financial statements.

THE BANFF CENTRE FOR CONTINUING EDUCATION

Statement of Cash Flows

For the year ended March 31, 2008

(in thousands of dollars)

	Year Ended March 31, 2008	Year Ended March 31, 2007
Cash flows from (used in) operating activities		
Excess of revenue over expense	$ 1,231	$ 1,342
Non-cash transactions:		
Amortization of deferred expended capital contributions	(1,313)	(1,294)
Amortization and loss on disposal of capital assets	2,593	2,511
Change in notes receivable and deferred charge	6	6
Change in long-term employment related liabilities	120	91
Changes in:		
Non-cash working capital (Note 12)	(3,323)	1,542
Deferred contributions and pledges receivable	(608)	217
Net cash from (used in) operating activities	(1,294)	4,415
Cash flows from (used in) investing activities		
Acquisition of capital assets	(12,251)	(17,466)
Endowment earnings retained in the fund	363	690
Acquisition of short-term investments	(4,342)	(23,759)
Acquisition of long-term investments	(2,818)	(2,229)
Net cash used in investing activities	(19,048)	(42,764)
Cash flows from (used in) financing activities		
Capital and other deferred contributions	24,104	46,152
Pledges receivable	(4,936)	(9,409)
Debt principal repayments	(278)	(618)
Endowment contributions	2,386	1,514
Net cash from financing activities	21,276	37,639
Increase (decrease) in cash	934	(710)
Cash, beginning of year	317	1,027
Cash, end of year	$ 1,251	$ 317

The accompanying notes are an integral part of these financial statements

Note 1 Authority and Purpose

The Banff Centre for Continuing Education (the "Centre") operates under the authority of the Post-Secondary Learning Act, 2003, Chapter P-19.5. The Centre is a registered charity and is exempt from income tax under Section 149 of the Income Tax Act.

The Centre provides public access to a broad range of learning and professional development experiences with emphasis on the arts, leadership development, and the exploration of issues related to mountain culture and the environment.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and the following significant accounting policies and reporting practices:

(a) Revenue Recognition

Amounts received for tuition, fees, and sales of goods and services are classified as unearned and recognized as revenue at the time the goods are delivered or the services are provided.

The Centre follows the deferral method of accounting for contributions.

Operating grants are recognized as revenue in the period when receivable. Operating grants received for a future period are deferred until that future period.

Externally restricted non-capital contributions are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Any externally restricted contributions containing stipulations that the amounts and related earnings be retained as net assets or that the contributions not be expended are recorded as direct increases in net assets. Such stipulations would include contributions made for endowment purposes or to acquire non-amortizable property.

Externally restricted capital contributions are recorded as deferred contributions until the amount is invested in capital assets. External funds invested in capital assets are then transferred to deferred expended capital contributions. Deferred expended capital contributions are recognized as revenue in the periods in which the related amortization expense of the funded capital assets is recorded. The related portions of amortization expense and capital contributions revenue are matched to indicate that the amortization expense has been funded externally.

Unrestricted contributions are recognized as revenue when received.

Donations of materials that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

(b) Scholarships and Financial Assistance

Scholarships and financial assistance include payments to resident artists and program participants for tuition, fees, accommodation and other program related costs.

(c) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Inventories held for consumption are valued at the lower of cost and replacement value.

(d) Pledges Receivable

Pledges receivable are recorded as assets when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

(e) Endowment and Other Investments

Effective April 1, 2007, endowment investments are classified as held for trading and stated at fair value (Notes 2(i) and 17). Fair values are determined based on quoted market prices at year-end. The annual change in unrealized appreciation or depreciation of endowment investments is reflected in the statement of changes in net assets. Gains and losses are recognized when investments are sold or when there is a permanent impairment in their value. Other investments are carried at cost which approximates fair value.

(f) Capital Assets

Capital assets are recorded at cost, except donated assets, which are recorded at fair value. Capital assets, except property under development and the artwork collection, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	50 years
Furnishings and equipment	10 years
Technical equipment	5 years

The useful lives have been estimated by management and will inevitably differ from actual, perhaps significantly, resulting in amortization expense not matching utilization over the lives of the assets. No amortization expense is recorded in the year of acquisition.

Artworks are recorded at cost if purchased or at the appraised value at the time of donation. The artwork collection is made up of numerous pieces of art that are held for display in the Walter Phillips Gallery and other public areas of the Centre. Artworks are not amortized.

(g) Employee Future Benefits

The Centre's pension plans are multi-employer plans and are accounted for using the defined contribution method. Under this method, contributions made during the period are recognized as pension expense in current operations and included in salaries, wages and benefits.

(h) Use of Estimates

These financial statements are prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, estimates are used to determine the provision for bad debts and the useful lives of capital assets.

(i) Accounting Changes

As of April 1, 2007, the Centre adopted the accounting standards *Accounting Changes* (CICA Handbook Section 1506), *Financial Instruments - Recognition and Measurement* (Section 3855), *Financial Instruments - Disclosure and Presentation* (Section 3861) and *Hedges* (Section 3865). The effect of these changes on the financial statements is described in Note 17.

Similarly, the accounting standards *Financial Instruments - Disclosures* (Section 3862) and *Financial Instruments - Presentation* (Section 3863) must be adopted for fiscal years beginning on or after October 1, 2007. Therefore, the Centre will adopt these standards on April 1, 2008. The effect on the Centre's financial statements will be to include additional disclosures in the footnotes regarding the significance of financial instruments to the Centre's financial position and performance, and the nature, extent and management of risks arising from those financial instruments.

The CICA has issued *Capital Disclosures* (Section 1535) which is effective for the Centre as of April 1, 2008. This section requires the Centre to disclose the Centre's objectives, policies, and procedures for managing capital; the determination of capital by the Centre; the Centre's compliance with all capital requirements; and the consequences of non-compliance.

In June 2007, the CICA issued *Inventories* (Section 3031) which replaces *Inventories* (Section 3030). Section 3031 will be applicable to financial statements for fiscal years beginning on or after January 1, 2008. Accordingly, the Centre will adopt the new standard for its fiscal year beginning April 1, 2008. The new section provides additional guidance on the measurement of inventories and related disclosure requirements. The Centre does not expect that the adoption of this new standard will have a material effect on the financial statements.

(j) Financial Instruments

Financial instruments are recognized at fair value when acquired. Measurement in subsequent periods depends upon the classification of financial instruments as held for trading, available for sale, held to maturity, loans and receivables, or other financial liabilities. Items classified as held for trading or available for sale are adjusted for changes in fair value which are recognized in income in the period in which they arise; items classified as held to maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method.

Financial instruments are comprised of cash, short-term investments, accounts receivable, notes receivable, pledges receivable, endowment and other investments, accounts payable and accrued liabilities, accrued vacation pay, employment related liabilities and long-term debt including obligations under capital leases. Notes, pledges and accounts receivable are classified as loans and receivables and carried at amortized cost. At each balance sheet date these financial assets are assessed for impairment and the amount of any loss is measured as the difference between the carrying amount of the asset and its fair value and recorded in the statement of operations. All other financial assets are carried at fair value as these assets are held for trading. All financial liabilities are classified as other liabilities and carried at amortized cost.

Credit, Interest Rate and Market Risk - The Centre's accounts receivable and pledges receivable are subject to normal credit risks due to the nature of the Centre's customers and donors. The carrying values of these receivables reflect management's assessment of the credit risk associated with these customers and donors. The Centre's fixed income endowment and short-term investments are exposed to fluctuations in interest rates. The Centre's foreign currency holdings and long-term investments are subject to market risk. The Centre does not hold any derivative investments or asset-backed securities in its investment portfolios.

Note 3 Notes Receivable and Deferred Charge

In prior years, the Centre advanced a total of $672,800 to Rocky Mountain Cooperative Housing Association (the "Cooperative") for the right to lease 42 accommodation units through December 2019. In December 2005, the terms of the notes were modified to discontinue the accrual of interest (interest accrued to that date was $26,037). The notes are unsecured, repayable in 2019. Commitments under these operating leases are included in Note 9 - Long-Term Debt and Commitments.

The notes receivable are discounted to a present value of $393,068 using an interest rate of 4.68% which approximates the external borrowing rate of the Cooperative. The discount is amortized using the effective interest method. The deferred charge of $268,381 is amortized over the lease period.

Note 4 Investments

Short-term

Short-term investments carried at fair value include Canadian and US dollar money market funds, Treasury Bill funds and Guaranteed Investment Certificates.

Long-term

	2008		2007	
	Market Value	Cost	Market Value	Cost
Cash and cash equivalents	$ 1,122	$ 1,122	$ 567	$ 567
Government bonds	1,477	1,440	721	698
Corporate bonds	1,421	1,424	2,787	2,777
Equities	10,146	9,862	7,883	6,756
	14,166	13,848	11,958	10,798
Endowment earnings and other receivables	(728)	(728)	(427)	(427)
Endowment investments	13,438	13,120	11,531	10,371
Other investments, at cost	69	69	-	-
	$ 13,507	$ 13,189	$ 11,531	$ 10,371

Note 5 Capital Assets and Collections

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land improvements	$ 2,722	$ 2,276	$ 446	$ 2,722	$ 2,224	$ 498
Buildings and improvements	97,041	34,121	62,920	74,405	32,650	41,755
Furnishings and equipment	26,688	19,483	7,205	23,747	18,726	5,021
Artwork collection	1,212	-	1,212	1,171	-	1,171
Property under development	7,081	-	7,081	20,098	-	20,098
	$ 134,744	$ 55,880	$ 78,864	$ 122,143	$ 53,600	$ 68,543

Land is leased from the Government of Canada. The current lease expires on July 31, 2043, and is renewable.

Note 6 Unearned Revenue and Deposits

	2008	2007
Accommodation deposits	$ 962	$ 1,146
Other sales and services	747	544
	$ 1,709	$ 1,690

Note 7 Deferred Contributions

	2008	2007
Deferred contributions, beginning of year	$ 35,875	$ 6,189
Accounting change (Note 17)	(1,097)	-
Contributions:		
Operating	6,593	1,318
Capital and other	24,104	46,152
Distributed endowment earnings	519	421
Transferred to operations:		
Grants and contributions	(2,816)	(1,392)
Endowment earnings utilized	(373)	(318)
Transferred to deferred expended capital contributions (Note 8)	(11,695)	(16,495)
Deferred contributions, end of year	$ 51,110	$ 35,875
Current portion of non-capital deferred contributions	(4,402)	(2,929)
Long-term deferred contributions	$ 46,708	$ 32,946
Deferred contributions are comprised of:		
Operating	$ 8,912	$ 3,932
Capital and other	42,198	31,943
	$ 51,110	$ 35,875

Note 8 Deferred Expended Capital Contributions

	2008	2007
Balance, beginning of year	$ 51,334	$ 36,133
Transferred from deferred contributions to acquire capital assets (Note 7)	11,695	16,495
Transferred to revenue	(1,313)	(1,294)
Balance, end of year	$ 61,716	$ 51,334

Note 9 Long-Term Debt and Commitments

		2008		2007
Term loan - Professional Development Centre	$	2,364	$	2,640
Capital leases		1		3
		2,365		2,643
Less: debt due within one year		(277)		(2,642)
Long-term debt	$	2,088	$	1

Future expected minimum repayments are as follows:

Year Ending March 31		Professional Development Centre		Capital Leases Principal		Capital Leases Interest		Operating Leases
2009	$	276	$	1	$	-	$	1,055
2010		2,088		-		-		803
2011		-		-		-		724
2012		-		-		-		651
2013		-		-		-		629
thereafter		-		-		-		3,899
	$	2,364	$	1	$	-	$	7,761

The term loan is unsecured with fixed principal repayments of $275,000 per annum plus interest at the CIBC Prime Rate minus 1/4%. In May 2008, the Centre refinanced the loan for a two-year period with fixed principal repayments of $276,000 per annum plus interest at a fixed rate of 4.11%.

Interest expense on long-term debt for the years ended March 31, 2008 and 2007 was $109,778 and $130,264, respectively. Interest expense approximates interest paid for both fiscal years.

In July 2004 the Centre entered into a long-term supply arrangement with an electrical utility supplier for its electrical power needs for the period January 1, 2006 to January 1, 2011, at a rate of $0.0469/kwh.

The Centre is party to an agreement with Rocky Mountain Cooperative Housing Association under which the Centre is committed to the rental of 42 housing units through December 2019. Under this agreement, the monthly rent is $47,733, and the total of all commitments over the lease term is $6,730,353.

During 2006 the Centre began construction of new facilities as part of a phased redevelopment project expected to be completed in 2010. During the fiscal year ended March 31, 2008, the Centre completed contracts to construct and equip a new dining facility which became operational in July 2007. The Centre will begin construction of the new Kinnear Centre in 2008 under contracts totaling $42,210,000. Funding for these projects will include $50 million from Alberta Advanced Education (all of which has been received) and other public and private donations to be raised during the Centre's capital campaign.

Note 10 Net Assets

	Unrestricted	Investment in Capital Assets and Collections	2008	2007
Operating net assets, beginning of year	$ (771)	$ 14,562	$ 13,791	$ 12,475
Excess of revenue over expense, net of transfers	1,027		1,027	1,201
Internally designated funds for capital acquisitions	204		204	115
Internally funded:				
Capital acquisitions	(1,218)	1,218	-	-
Amortization and loss on disposal of capital assets	1,280	(1,280)	-	-
Repayment of debt (Note 9)	(278)	278	-	-
Operating net assets, end of year	$ 244	$ 14,778	$ 15,022	$ 13,791

Note 11 Endowment

	2008	2007
Endowment, beginning of year	$ 10,371	$ 8,142
Unrealized appreciation at April 1, 2007 (Note 17)	1,160	-
Endowment, beginning of year, as restated	11,531	8,142
Contributions and other transfers	2,386	1,539
Investment income	355	319
Net change in value		
Realized	527	792
Unrealized	(842)	-
Distribution of earnings available for spending	(519)	(421)
Endowment, end of year	$ 13,438	$ 10,371

Through March 2008, the Centre has transferred $3,330,156 ($1,634,667 in 2007) of endowment contributions to the Banff Community Foundation (the "Foundation") in accordance with the terms of an application for matching funds from Canadian Heritage under the Endowment Incentives program. These contributions and any matching funds will be held by the Foundation and managed as a permanent endowment for the sole benefit of the Centre. The market and book values of funds held by the Foundation at March 31, 2008, including matching funds, are $4,342,877 and $4,648,040, respectively. The Foundation is a public charitable foundation not controlled by the Centre.

Note 12 Changes in Non-Cash Working Capital

	2008	2007
Changes in:		
Accounts receivable	$ (2,960)	$ (126)
Inventories	(47)	33
Prepaid expenses	117	(91)
Accounts payable and accrued liabilities related to operations	(477)	1,052
Accrued vacation pay	25	69
Unearned revenue and deposits	19	605
	$ (3,323)	$ 1,542

Note 13 Grants

	2008	2007
Base operating grant from Alberta Advanced Education	$ 13,806	$ 12,845
Other grants:		
Province of Alberta		
Advanced Education	2,061	554
Innovation and Science	94	387
Community Development and Other	168	95
Government of Canada - Canadian Heritage		
National Arts Training Contribution Program	1,340	1,340
Canadian Culture On-Line Program	-	15
Arts Presentation Canada Program	100	100
Museum Assistance Program	32	49
Book Publishing Industry Development Program	-	2
Other Government	459	435
	4,254	2,977
	$ 18,060	$ 15,822

Note 14 Salaries, Wages and Benefits

	2008	2007
Pension contributions	$ 1,308	$ 1,178
Salaries, wages and non-pension benefits	26,182	24,045
	$ 27,490	$ 25,223

Note 15 Salary Disclosure

The salaries and benefits of the Board of Governors and senior management are as follows:

	2008			2007
	Salaries (1)	Non-Cash Benefits (2)	Total	Total
Board of Governors (3)	$ -	$ -	$ -	$ -
President	272	37	309	282
Vice-Presidents				
Programming	152	28	180	171
Finance	193	28	221	205
Hospitality & Conferences	158	20	178	168
Mountain Culture (4)				52
	$ 775	$ 113	$ 888	$ 878

(1) salaries include regular base pay and other direct cash remuneration

(2) non-cash benefits include the Centre's share of all employee benefits and payments made on behalf of employees including pension, health care, insurance and disability plans, tuition benefits and taxable benefits for the use of Banff Centre residences and vehicles

(3) the Chair and members of the Board of Governors receive no remuneration for their services

(4) reflects a part-year appointment in fiscal year 2006-07, and as part of a restructuring, this position was reclassified in 2007, therefore no amounts are reported for the current year

Note 16 Budget

The following represents The Banff Centre's operating budget for the fiscal year ended March 31, 2008.

Revenue		
Accommodations	$	15,113
Grants		16,629
Other sales, rentals and services		7,752
Tuition and related fees		5,653
Donations and other contributions		4,011
Investment income		429
Amortization of deferred expended capital contributions		1,343
		50,930
Expense		
Salaries, wages and benefits		27,753
Purchased services		3,313
Materials, goods and supplies		4,600
Scholarships and financial assistance		3,717
Facility operations and maintenance		3,079
Utilities		1,760
Travel, training and related costs		1,709
Rentals and equipment		1,104
Marketing and promotion		751
Financial costs		553
Amortization of capital assets		2,591
		50,930
Excess of revenue over expense	$	-

Note 17 Accounting Change

The Centre adopted Section 3855, *Financial Instruments - Recognition and Measurement,* and related sections of the CICA Handbook which provide for the recording of financial instruments at their fair values. This change in policy, which was adopted retrospectively without restatement of prior year financial statements, affects endowment and other investments, long-term pledges receivable, deferred contributions and endowment net assets. For all other financial instruments, carrying value approximates fair value.

The impact of this change at April 1, 2007, was to increase endowment investments and endowment net assets by $1,160,000 which represents the unrealized appreciation on long-term endowment investments at that date, and to decrease pledges receivable and increase deferred contributions by $1,097,000 to reflect the effect of discounting outstanding pledges receivable expected to be collected in future periods.

Effective April 1, 2007, the Centre adopted CICA Section 1506, *Accounting Changes*. Under this standard, voluntary changes to accounting policies are allowed only in situations where they provide financial statement users with reliable and more relevant information. Policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are retrospectively applied to the financial statements, while changes in accounting estimates are prospectively applied with the changes included in earnings. This section applies to all changes in policies and estimates or corrections of prior period errors in periods beginning on or after April 1, 2007. The only impact in the current year is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective.